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NEWS SUMMARY

GENERAL

Nuclear sky spy falls on Canada

Soviet military satellite, carrying enriched uranium 235 and powered by a tiny nuclear reactor, vapourised in the atmosphere near Yellowknife in Canada's far North-West yesterday.

The satellite—a radar unit used for ocean surveillance—had been in orbit since September, and in difficulties since last month.

President Carter warned Mr. Pierre Trudeau, Canadian Prime Minister, of the impending trouble by telephone at 7.30 a.m. U.S. aircraft later searched the area for radioactive contamination.

Kept secret

In the days that the satellite faltered, the U.S. and Canada decided not to tell the public of the possible peril. In Europe contingency plans were made, especially in Denmark which was warned by the U.S. that the satellite might crash there. West Germany and Italy were also alerted.

The Soviet Union yesterday launched two satellites, No. 986 in the Cosmos series and Molniya ... designed to relay telephone and telegraphic communications.

Admitting re-entry of its satellite over Canada, the Soviets said it was designed to be fully destroyed before reaching earth. Page 3

Noon deadline for kidnapped Belgian baron

A shadowy Maoist splinter group and an extremist Right-wing Flemish organisation claimed in Paris to have kidnapped Baron Edouard-Jean Empain, a 40-year-old Belgian who is one of Europe's leading industrialists. The Maoist group threatened to kill the baron unless three people were released from jail by noon to-day.

The three were named as ...ngaard Moeller and Rolf ...ohle, Baader-Meinhof gang members who are in West German jails, and Christian Harbu...t, a Left-wing French student who is held in Paris on a murder charge. Page 2

Benn's platform

Mr. Anthony Wedgwood Benn, Energy Secretary, calling for full-blooded Socialist measures to transform British society, last night proclaimed what amounts to a Left-wing manifesto on which Labour should fight the next general election. Back Page

Mulley under fire

The Labour Left-wing savagely attacked Mr. Fred Mulley, Defence Secretary, in the Commons over the Government's proposals to increase defence spending by 3 per cent. Page 10.

Ulster alert

Ulster security chiefs are understood to be assessing the likelihood of a renewed Provisional IRA offensive. Page 8. At Limerick jail in the Irish Republic Eddie Gallagher married Rose Dugdale. They are serving sentences of 20 and nine years respectively for IRA offences.

LSD factories

Police smashed a network supplying about 95 per cent. of the illegal drug LSD changing hands in Britain, Bristol Crown Court heard. The trail lead to two factories manufacturing thousands of tablets in London and Wales.

Briefly . . .

The Swedish wife of a Yugoslavian Chrysler International director George Zecevic and her Chilean housekeeper were held at gunpoint in a £25,000 raid at their Kensington, London, flat.

Tributes were paid to Baroness Spencer-Churchill, widow of Sir Winston Churchill, at a Westminster Abbey service in her memory.

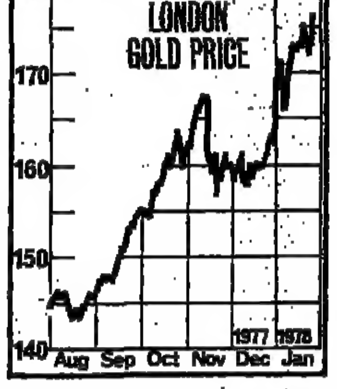
BUSINESS

Equities and gilts easier; gold up

● GILTS lost further ground as buying interest remained slight. The FT Government Securities Index slipped 0.33 to 76.67 for a three-day fall of 0.69.

● EQUITIES also drifted down, the FT 30-Share Index closing at 483.4, off 3.2. Gold and platinum shares advanced.

● STERLING gained ½ cent to \$1.9470, while its trade-weighted index rose to 66.3 (66.2). The dollar remained weak, its trade-weighted depreciation widening to 4.84 (4.68) per cent. Dollar decline "overdone." Page 3



● GOLD rose 75c to \$176.375, the highest closing level since April 1975.

● WALL STREET closed at 771.57, up 0.87, as a rally on bargain hunting faltered later in the day.

● YIELDS on Treasury Bills in the London money market continued to point to a possible ¼ per cent. fall in Minimum Lending Rate to 6¼ per cent. on Friday. Page 28

Call to curb steel imports

● EEC COMMISSION is being urged by U.K. companies to tighten the steel import rules in order to stem the inflow of foreign steel tubes. Back Page. Japanese Government will "guide" the country's steel industry towards reducing its exports to the U.S., if the American trigger price system fails to do this. Back Page. World steel output falls, Page 5. Unhappy tale for consumers, Page 2

● BRITAIN may be given an ultimatum by the EEC Commission to-day over its continued failure to enforce EEC rules requiring commercial goods vehicles to be fitted with tachographs, which measure hours and distances driven. Page 2

● LEYLAND chairman's plans to decentralise management in Leyland Cars is meeting with opposition within the committee which he set up to look into the company's structure. Back Page

● OIL COMPANIES, unions and the Government are working towards a joint plan to deal with oil refinery over-capacity. The U.K. proposals could lead to a conflict with the EEC Commission. Page 9

● UNITED GLASS has promised the Price Commission that it will not seek another increase in prices of its jars or bottles for nine months and has agreed to review certain aspects of its operations, including its differential pricing structure. Page 8

● TRUSTEE savings banks are joining the Visa international credit card system in a further extension of their personal banking services. Page 8

COMPANIES

● EXXON'S net income fell 8.7 per cent. last year to \$2.4bn., largely because of foreign exchange losses owing to the sharp decline in the dollar. Page 33

● DAVY INTERNATIONAL made pre-tax profit of £8.4m. (£7.3m.) in the six months to September 30. Page 26 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...royd and Smithers	240	+ 8
...fton Invs.	10¼	+ 1½
...met Radiovision	108	+ 4
...ll (Chas.) Bristol	101	+ 9
...rst (G.)	95	+ 11
...ternational Paint	73	+ 3
...well (G. F.)	33	+ 7
...Neill Group	54	+ 6
...edlers	26	+ 3
...dey Printing	56	+ 5
...uls and Whites	127	+ 5
...ottish & Newcastle	71½	+ 3
...heeler's Restaurants	290	+ 10
...tters	55	+ 4
...glo Amer. Gold	£16½	+ ½
...shopsgate Plat.	90	+ 10
...urban Deep	320	+ 37
...armony	407	+ 23
...burg Cons.	£13½	+ ½
Libanon	512	+ 28
Randfontein Estates	£34	+ 1
Rustenburg Plat.	98	+ 12
Wit. Nigel	56	+ 8

FALLS

Treasury 14pc '82	£113⅝	− 7/16
Treasury 10½pc '99	£54⅝	− ½
Allen (W. G.)	48	− 4
Boots	219	− 4
Burton A	127	− 3
Carpets Intnl.	47	− 8
Cope Sportswear	75	− 7
Davy Intnl.	232	− 12
GUS A	294	− 8
Hoover A	350	− 12
Henderson-Kenton	80	− 6
London Pavilion	515	− 35
Lucas Inds.	262	− 8
McBride (R.)	355	− 15
NatWest	290	− 6
Smurfit (J.)	194	− 9
Wigfall (H.)	258	− 5

Unemployment up but job vacancies increase sharply

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Adult unemployment rose slightly last month after declining since the late summer. But the number of job vacancies increased sharply and is now at the highest level since March, 1975.

The underlying movements in the labour market remain confusing and there is insufficient evidence to indicate a clear trend in either direction.

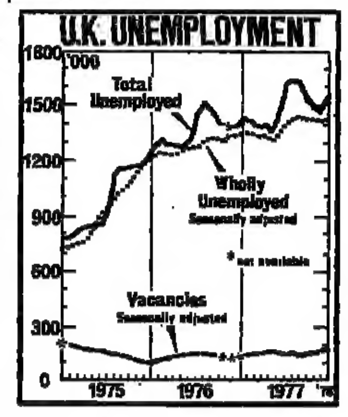
The number of adults out of work in the U.K. increased by 300 to 1.43m. in the month to mid-January, according to seasonally-adjusted figures announced by the Employment Department yesterday. This is equivalent to 6 per cent. of the workforce.

The marginal rise follows an 18,000 fall in the previous three months, though the total is still 90,200 higher than 12 months ago.

A worrying feature of the latest figures is that the hard core out of work—those aged under 60 and unemployed for over a month—has risen by 70,000 to 1.22m. since mid-December.

The announcement of the small rise in the total led to statements of concern from union leaders and MPs and calls for a Budget stimulus to the economy.

The most encouraging feature of the figures is the rise of 20,100 to 182,800, seasonally adjusted, in the number of notified vacancies. This is normally regarded as a good advance indicator of labour market activity.



Officials warned that too much reliance should not be placed on the big jump in the last month, since there may have been an exceptional post-Christmas surge in the notification of vacancies. The total has, however, risen steadily since the summer.

The overall pattern of unemployment in the past year has been puzzling with little change in the total last winter and early spring, followed by a sharp rise in the summer, then a slight fall in the autumn.

Officials yesterday merely suggested that there might recently have been a slowing down in the previous rising trend.

Mr. Healey has said the expected acceleration in the rate of economic growth should be sufficient to halt the rise in 1978 and ensure the start of a sustained decline.

But most economists believe that this is unlikely to happen until towards the end of the year in view of the normal time lags. On the conventional calculations, the sluggish level of output in the past year would indicate a continuing rise in unemployment for the time being.

The length and severity of the recession has undermined the usual relationships while the Government's job preservation and creation measures have also had a major impact.

These measures, now being reviewed by Ministers, are estimated to have kept 250,000 people off the register in mid-January.

The number of school-leavers out of work has risen in the last month—by 2,721 to 61,114—after declining since mid-July. The rise is entirely explained by Scottish school-leavers, of whom nearly 7,300 registered.

The unadjusted U.K. total, including school leavers, rose by 67,722 to 1.55m. in the month to mid-January, but there is expected to be a rise of almost this size in the period for seasonal reasons.

Regional map, Page 9
Parliament, Page 10

BOC faces battle for whole of Airco

BY STEWART FLEMING — NEW YORK, Jan. 24.

BOC INTERNATIONAL faces a battle for ful lcontrol of its U.S industrial gases affiliate Airco as a result of its decision to press ahead with a \$260m. cash bid for the Airco shares it has not acquired under a tender agreement.

Airco to-night described the \$43-a- share offer for 51 per cent. of Airco's equity as "grossly inadequate."

Earlier Sir Leslei Smith, BOC chairman, indicated that BOC would probably press ahead with offer for full control of Airco ni the face of opposition frm the company.

"I have no reason to expect Airco directors to be unreasonable," he said, adding that he was "determined to push ahead."

In a series of dramatic shifts in the relationship between BOC and Airco, BOC first announced that its \$43 a share tender offer for 1.8m. of Airco's shares had been heavily oversubscribed.

BOC disclosed that shareholders controlling some 6m. of Airco's 11.8m. shares had tendered to accept the offer.

Sir Leslie said to-day that in view of this heavy oversubscription, and because of the danger of BOC facing "a great many disgruntled Airco stockholders" who could not sell, BOC had decided to press ahead with an offer for all Airco's shares.

In November, after protracted discussions with Airco, BOC disclosed that it intended an offer for 1.8m. Airco shares to increase its control in Airco from the 34 per cent. it acquired after an offer in late 1973 to 49 per cent.

Earlier last year, BOC won its anti-trust suit with the U.S. Federal Trade Commission, which was trying to divest it of the 34 per cent. it held.

BOC's aggressive move to go for full control of Airco is in part a reflection of the strong position it feels itself in.

Airco's stock was suspended from trading on the New York Stock Exchange on Monday at \$32⅞.

Now half the company's shareholders have indicated that they are ready to sell at \$43 a share.

Another factor behind the BOC move may have been concern about the future relationship between the two companies. It is no secret that the discussions between Airco and BOC about the increase to 49 per cent. in BOC's stake were tense and difficult because of Airco's desire to retain its independence.

BOC had wanted a 51 per cent. stake, giving it clear control, but as Sir Leslie put it to-night, it settled for "49 per cent. and the right to move."

Last year BOC announced that it had arranged a \$400m. line of credit from major U.S. banks to finance the increase from 34 per cent. to 49 per cent. in its Airco holding.

The cost of purchasing the 1.8m. shares is \$77m.

Last week Airco announced that its net profits for 1977 had increased marginally to \$55.5m., compared with the \$54m. it earned in 1976.

Sales revenues were \$920m., compared with \$837m.

£ in New York

—	January 24	Previous
Spot	\$1.9480-9490	\$1.9430-9440
1 month	0.06-0.10 prem	0.08-0.13 prem
3 months	0.34-0.39 prem	0.37-0.42 prem
12 months	0.75-0.90 prem	0.80-1.00 prem

Water workers seek firemen deal

BY ALAN PIKE, LABOUR CORRESPONDENT

WATER-SUPPLY workers who have been offered pay increases within the Government's 10 per cent. guidelines have told their negotiators to seek improvements on the lines of the settlement which ended the firemen's strike.

The move is a strong indication that the repercussions of the firemen's settlement, which breaks important new ground by relating the pay of a group of public-sector workers to skilled men in private industry, are likely to be considerable.

Demands for a similar settlement to the firemen were made when the employers' 10 per cent. offer was reported to a delegate conference of members of the General and Municipal Workers' Union, which has the largest single membership among the 30,000 water workers.

Union leaders will make the demand to employers, though they know that it will be resisted.

When the firemen's new pay formula is fully operational in November 1979 they will be taken out of the wage negotiating arena, with annual adjustments automatically keeping their pay level with skilled manual workers

Mr. Charles Donnet, GMWU national industrial officer responsible for the water industry, said yesterday: "One special section of the public sector has now got an automatic link with earnings in private industry.

"This leaves us with very real problems which need to be examined in the context of the public sector as a whole."

Public-sector workers frequently feel, as at present, that pay restraint measures fall more harshly on them than on private-sector employees. The firemen's settlement is regarded with envy since, by relating their pay to industrial arnings as a whole, this problem is overcome.

Local authority employers are already privately reconciled to the fact that Lord Edmund-Davies's inquiry into police pay, expected to report in the spring, is likely to follow the example of the firemen's settlement.

TUC leaders met the Chancellor yesterday and told him that speeches by Ministers backing continued wage restraint were adding to difficulties of pay negotiations in the current round.

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FEATURES

Mr. van Lennep: dangers.

Call to U.S. 'on energy'

By Peter Riddell, Economics Correspondent

AN appeal to the U.S. Congress to pass an "effective set of energy policies," as a "matter of vital interest not only to the U.S. but to the whole world economy," was made yesterday by Mr. Emile van Lennep, secretary-general of the Organisation for Economic Co-operation and Development.

More effective energy policies were needed to improve the economic prospects of industrialised countries, he told the Royal Institute of International Affairs in London on a visit which also included talks on the world economy with Mr. Denis Healey, Chancellor of the Exchequer.

The prospects for continued recovery this year and next had improved as a result of proposals for additional fiscal stimulus put forward in both Japan and the U.S., Mr. van Lennep said.

The OECD forecast a pattern for 1978 which would largely be a repeat performance of 1977, with little progress in reducing inflation and growth rates in many countries outside the U.S. insufficient to stimulate investment and prevent more unemployment.

Mr. van Lennep said it would be wrong to under-estimate the dangers involved in a continued inadequate growth rate.

An emergency defensive response to sectoral problems of high unemployment would lead to protectionism and make economies more prone to inflation.

This could in turn poison relations with newly emerging industrial countries in the developing world and, by an adverse impact on exports of manufactured goods from these countries, it might turn what have up to now been sound investments into bad debts.

The lessons learned in the last few years were the importance of bringing inflation down and keeping it down, of achieving a sustained growth of overall demand and further improvement in the rate of return on investment.

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Benn's plan for reactors wins approval

BY DAVID FISHLOCK, SCIENCE EDITOR

A GOVERNMENT statement—possibly from the Prime Minister—is expected to-day saying that Britain is to go ahead with three new nuclear power stations, totalling 4,000 MW of electrical capacity.

The decision was taken yesterday at a meeting of the Cabinet sub-committee dealing with energy.

A decision to proceed with one more station, 1,300 MW station based on the advanced gas-cooled reactor for the Central Electricity Generating Board, in addition to the five in operation or under construction, was taken at the committee's previous meeting before Christmas.

Yesterday's meeting accepted the latest recommendations of Mr. Anthony Wedgwood Benn, Energy Secretary, which were to order a second 1,300 MW gas-cooled station for the south of Scotland Electricity Board, and to develop and plan a third nuclear station based on the U.S.-designed pressurised water reactor for the generating Board.

Mr. Benn's latest proposals for the pressurised water reactor station apparently still stop short of the kind of commitment requested by the Central Electricity Generating Board—the kind which would permit it to issue a letter of intent to order.

Nevertheless, they are said to go much further towards a commitment than he has been prepared to go before.

Before Christmas, Mr. Benn made it plain that he was implacably opposed to an order for pressurised water reactors.

But the electricity supply industry has argued persuasively for a firm commitment to one water reactor station as insurance against further problems which might prevent the industry from installing gas-cooled reactor power—even from a redesigned gas-cooled reactor — quickly enough to meet its expected demand for nuclear electricity in the 1990s.

It asked the Government for a firm commitment to construct, subject only to its receiving the necessary planning permission and reactor safety approvals.

Armed with such a commitment, the generating board believed that it could activate a nuclear licence agreement already signed — with the Government's approval — between Westinghouse Electric in the U.S. and the National Nuclear Corporation.

Although details of this agreement have never been released, it is understood that, under its terms, Westinghouse would put considerable project management and technical resources behind the pressurised water reactor project. This could be a key factor in reinvigorating the U.K. nuclear industry.

U.K. boycott threat in 'green £' row

BY MARGARET VAN HATTEM — BRUSSELS, Jan. 24

THE U.K. tonight threatened to boycott crucial EEC fisheries meetings later this month after its request for approval of the 7½ per cent. "green pound" devaluation ran into unexpectedly strong resistance from several of its Common Market partners. The "green pound" is the artificial currency used for calculating Community farm prices.

The confrontation has jeopardised an unofficial meeting of Ministers in Berlin on Friday, at which it was hoped to resolve the dispute over common fisheries policy.

Mr. John Silkin, Agriculture Minister, told the Council of Ministers he would not be able to go to Berlin unless West Germany, The Netherlands and Belgium, who refused to take a decision on the "green pound" without consulting their Cabinets, did so by noon on Thursday.

Earlier, the three countries had suggested that a decision would not be forthcoming before February 1—the day on which the "green pound" devaluation was to have taken effect on several farm products.

However, they agreed to a compromise suggestion by Mr. Poul Dalsager, council president and the Danish Minister, to advance the date to January 29. The possibility of a decision in the next day or so is not ruled

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Fresh attempt to avert W. German docks strike

BY OUR OWN CORRESPONDENT BONN, Jan. 24.

INTENSIVE EFFORTS were underway this evening to avert a threatened strike to-morrow by dockworkers at most West German seaports. If it happens, this would be the first dock strike here since 1973—and only the fifth in West German history.

Herr Hans Peter Klose, the Mayor of Hamburg, was meeting representatives of labour and employers in a last-minute effort to prevent a stoppage. Severe economic consequences for the country as a whole are not expected—but the ports fear that business lost to Dutch, Belgian and French competitors through German strike action might not return.

Separating the two sides in the dispute is a gap of a little more than 3 per cent. The public services union (OETV), in which most dockworkers are organised, has demanded a wage increase of 9 per cent. for this year. The employers to-day offered just under 6 per cent.

Earlier, an official mediator proposed a 5.3 per cent. increase —a suggestion which the employers accepted but the union did not. In a vote late last week, almost 90 per cent. of the more than 16,000 dockworkers who are union members decided on a strike unless an "acceptable" offer was forthcoming.

Affected would be the eight ports of Hamburg, Bremen, Bremenhaven, Brake, Emden, Lubeck, Nordenham and Cuxhaven. Not involved in the dispute so far are Kiel, Wilhelmshaven and Elsfleth.

Meanwhile, brief warning strikes occurred in the Ruhr region to-day, by workers in the iron and steel sector. The metalworkers' union, IG Metall, said roughly 16,000 employees were involved in the stoppage but management described the true figure as much lower.

The workers in this region are complaining about a management offer simply to extend for six months the old wage accord which expired at the end of last October—then to raise wages by 3.5 per cent.

The union has described this, and similar offers made in the metalworking sector in other regions, as a provocation. The employers point to the steel recession and say higher wage settlements can only mean fewer jobs.

Motor industry output topped 4m. units in 1977

BY GUY HAWTIN FRANKFURT, Jan. 24.

OUTPUT BY the West German motor industry last year surpassed 4m. units, the Verband Der Automobilindustrie (VDA), the motor industry association, announced to-day. However, although business was brisk in the car sector, commercial vehicle makers had a rather thin time.

VDA figures for 1977 show that 4,104,200 vehicles of all types were produced in the federal republic last year—6 per cent. more than in 1976. If this level of growth is not as spectacular as the 1976 steel 21.4 per cent. expansion. It should be remembered that in that year the industry was moving out of its deep recession and that, furthermore, manufacturers were expecting 1977 to be a year of retrenchment rather than growth.

Car makers reported that output in 1977 increased by 7 per cent. or 245,000 units. In all, some 3,546,900 cars and estate vehicles rolled off the production lines and a number of manufacturers are reporting that they are still trying to fulfill a backlog of orders placed last year.

Commercial vehicles makers, however, reported declining production, particularly in the second half of the year. Altogether, some 313,700 commercial vehicles were produced in the federal republic during 1977—some 2 per cent. down on 1976's 321,189 units.

The fall was in particular attributable to the considerable drop in demand for heavy goods vehicles.

The main decline came in export markets where demand for West German heavy goods vehicles dropped appreciably. There was, however, a weakening in overseas demand for light commercial vehicles, such as delivery vans.

The poor performance in the commercial vehicle field was in part a result of the competition of large one-off contracts landed in 1975 and 1976, notably from the Middle East.

Overall, 1977's exports of vehicles of all types rose by 4 per cent. from 1976's 2,043,220 units to 2,127,500 units. Growth came entirely from the car and estate vehicle sector which saw foreign sales climb by 11 per cent. from 1,836,882 units to 1,939,300 units.

Overseas car sales, however, still lagged well behind 1973's vintage 2,173,227 units and, furthermore, as a result of the decline in commercial vehicle exports, the proportion of production exported dropped from 1976's 52.8 per cent. to 52 per cent.

French production, Page 5

EEC may give U.K. tachograph ultimatum

By Guy de Jonquieres

BRUSSELS, Jan. 24.

THE EUROPEAN Commission is expected to decide to-morrow to issue an ultimatum to Britain over its continued failure to enforce EEC rules requiring that commercial goods vehicles be fitted with tachographs, the controversial devices which measure hours and distances driven.

Before the 13-member Commission is a draft letter ordering the U.K. to comply with the rules within two months. If approved, it will take a step further the legal proceedings opened against the U.K. last year and set the stage for a final showdown, which may have to be in the European Court of Justice in Luxembourg.

The Commission has yet to signal formally its intention to bring the U.K. before the court, but it may decide to do so if its final warning is ignored. Commission lawyers are confident that, if this were to happen, they would stand a good chance of winning their case.

The U.K. was supposed to enforce the tachograph rule from the start of last year, but so far it has been applied only to lorries carrying goods to other EEC countries. As part of a compromise reached in Brussels late last year, it also agreed that heavy lorries on journeys of more than 450 kms must either be fitted with tachographs or have two drivers.

Installation of the tachograph in other vehicles has been strongly resisted by drivers' unions, who have called it "the spy in the cab," and, on their behalf, by Mr. William Rodgers, the British Transport Secretary. He has argued that compliance with the rule would lead to demands for huge increases in drivers' hourly wages, which would impose higher costs on haulage operators and which could probably not be met within the existing pay code. He recently indicated that the Government planned a thorough review of its position on tachographs, expected to last more than a year.

These arguments have failed to satisfy the Commission, which points out that Britain has been in breach of its EEC legal commitments for more than a year. The only other country which has not yet complied with the rules is Ireland, whose case is also being examined closely in Brussels.

But even if Mr. Rodgers were suddenly to drop his opposition, it is doubtful whether the Government could act in time to meet the expected two months deadline because the necessary enabling legislation has not yet been submitted to Parliament.

Meanwhile the Transport Commissioner, Mr. Richard Burke, to-day received a group of senior executives from nationalised railways in the EEC, including British Rail. The aim of the meeting was to explain to the executives the implications for the railways of agreements reached recently on lorry drivers' hours.

Andreotti's strategy begins to emerge

BY DOMINICK J. COYLE ROME, Jan. 24.

AN OUTLINE of the strategy of Sig. Giulio Andreotti, the Prime Minister-designate, in his attempt to form a new Italian administration, is emerging gradually as he widens the range of his discussions with opposition forces.

Sig. Andreotti had separate meetings here to-day with the Republicans, Liberals, Social Democrats and the tiny South Tyrol Party, following his more important exchanges yesterday with the Communists and the Socialists. His objective, it seems, is to try and win all-party backing for a one-year emergency economic and social programme in the hope that this can be extended in a new round of discussions next week into political support for a new government.

No precise details have been disclosed but there are indications that Sig. Andreotti is promising measures which would raise Italy's 1978 growth rate to 4 per cent., or about double the level foreshadowed in this year's outline budget introduced last October.

The opposition political parties, notably the Communists who had been sustaining indirectly Sig. Andreotti's minority Christian Democrat (DC) Government in office, had rejected that provisional budget. They claimed that a 2 per cent. growth rate would do little to reverse the industrial slump or cut unemployment.

The Communists (PCI) have since demanded direct participation in an emergency Government which, they claim, is necessary to meet the mounting economic crisis and the escalation of politically-inspired violence on the streets. It was this ultimatum which last week brought about the resignation of the Andreotti Government.

Sig. Andreotti is now said to be offering to double the planned growth rate for the current year, while at the same time undertaking to contain the overall level of public expenditure, to restructure the finances of a number of ailing industries, many of them already state-controlled, and to improve the enforcement of law and order including police reform.

It remains unclear, however, how the cost of such a programme is to be met. The public sector borrowing requirement to meet the 2 per cent. growth planned originally this year was estimated at nearly L30,000bn. (£19bn.). This is about double the undertaking given by Italy to the International Monetary Fund last April in its letter of intent in exchange for a further drawing of $530m.

A doubling of the grow[th] target, for which both Conf[industria], the national employ[ers'] organisation, and the three [trade] union confederations have be[en] pressing, would imply a sign[ifi]cant further deviation fr[om] commitments to the IMF, or sizeable 1978 payments defi[cit] or both.

It would also be directly [in] conflict with the firm reco[m]mendation of the Bank of It[aly] which has claimed that an annu[al] growth rate in excess of 3 p[er] cent. over the next five yea[rs] would be at the expense of unacceptably high paymen[ts] deficit and risk further pressu[re] on the Lira.

Extremist groups claim Empain kidnapping

BY DAVID CURRY PARIS, Jan. 24.

MORE THAN 24 hours after the kidnapping of the Franco-Belgian industrialist Baron Edouard-Jean Empain in Paris, French police were still without a concrete idea as to the identity or motive of his assailants.

This morning an anonymous caller to a radio station claimed the kidnapping had been carried out by an extremist Maoist organisation called the Armed Nucleus for Popular Autonomy. He said that unless two jailed members of the West German Baader-Meinhof gang—Irmgard Moeller and Rolf Pohle—and the French left-wing student, Christian Harbulot, held here on a charge of political murder, were released by noon to-morrow, the baron would be executed.

However, this evening, the Maoist organisation apparently contacted the left-wing newspaper Liberation with a formal denial of its involvement in the seizure of the 40-year-old baron who controls a financial and industrial empire whose annual sales top Frs.22bn.

A later claim for responsibility came from an extreme Flemish nationalist organisation calling itself the Joris van Severen Group, which accused the baron of harming the interests of the Flemish people. The baron, though of Belgian nationality, was educated and has spent virtually all his life in France. Police, however, are inclined to regard the existence of such an organisation as largely mythical.

They are inclined to believe that the kidnapping may have more in common with the case ten months ago of the seizure of the head of Fiat France, Sig. Lucchino Revelli-Beamont, for whose release after three months of captivity his family paid a Frs.10m. ransom.

Reports that senior executives of Schneider, the company which crowns the French interest of the Empain-Schneider Group, recently signed a declaration that they did not wish ransom money to be paid in the case of kidnaps have been firmly denied by the company.

The baron was seized as he was being driven away from his Paris flat yesterday morning. It now appears that at least five men and a woman took part in the kidnapping. President Giscard d'Estaing, a personal friend of Baron Empain, has asked to be kept informed of progress in the case. So far, the police appear to have only the evidence of the baron's chauffeur who was injured in the attack, and the meagre evidence of the vehicles used in the kidnap.

Karamanlis in London for talks

By Our Foreign Staff

MR. CONSTANTINE Karaman[lis], the Greek Prime Minist[er], arrives in London to-day on [the] first leg of a four-nation Eu[ro]pean tour designed to sp[eed] negotiations for Greece's en[try] to the EEC.

He will hold talks this af[ter]noon with Mr. Callaghan, [the] Prime Minister, and Dr. Ow[en], the Foreign Secretary, bef[ore] going on to Belgium, France [and] West Germany.

The Greek Government [pro]posed an accelerated negotia[ting] timetable to the EEC bef[ore] Christmas which envisa[ged] formal admission early next y[ear] and the completion of subs[tan]tive negotiations by the mid[dle] of this summer. Although th[ere] is a widespread feeling in [the] EEC that the Greek plan is o[ver]optimistic, the European C[om]mission is trying to inject fr[esh] momentum into the talks.

The British view is that w[hile] there should be no unnecess[ary] delay, there is little to be gai[ned] from setting up a precise ti[me]table for membership until ne[go]tiations have reached a m[ore] advanced stage.

At the same time, Britain f[eels] that the Greek application sho[uld] be judged on its intrinsic me[rits] and not linked to those of Sp[ain] and Portugal. This is of imp[ort]ance in relation to the the [issue] of Greek agricultural [pro]ducts, since there is French [and] Italian concern that an ag[ree]ment with Greece might se[t a] precedent that could later pr[ove] important in negotiations [on] Spanish and Portuguese Med[iter]ranean produce.

The Cyprus issue is also [cer]tain to be raised during Karamanlis' talks in Lon[don]. With the advent of a new Tur[kish] Government and the recent [visit] to Cyprus by Dr. Kurt Waldhe[im], the UN Secretary-General, th[ere] are hopes of a resumption of stalled inter-communal talks [on] the island.

Mr. Callaghan is likely [to] stress to Mr. Karamanlis tha[t if] the Turkish side does put [for]ward a reasonbale offer, it is [im]portant that the Greek side [res]pond positively.

Metin Munir adds fr[om] Nicosia: Turkey is to pull b[ack] 500 troops from Cyp[rus] to-morrow, it was announced [by] the Turkish army headquart[ers] here to-day.

NATO air chief urges decision on AWACS

By David Buchan

BRUSSELS, Jan. 24.

AIR REINFORCEMENTS from the U.S. will make greater use of underused European bases in NATO exercises this year, General Williams Evans said here to-day. The U.S. commander of NATO's central European air forces said 50 such bases had been identified, and U.S. aircraft had already used some in last autumn's exercises.

Gen. Evans, speaking to the Press here after measures to improve U.S. reinforcement capability to Europe had been announced in yesterday's new U.S. defence budget, also stressed the need for an early decision on the airborne early warning (AWACS) system. The General said it would double NATO's warning time of a Warsaw Pact surprise attack.

The U.K. contribution will be 11 Nimrod aircraft patrolling its sea approaches, but agreement on the rest of the system—17 or 18 Boeing AWACS aircraft—is still bedevilled by financial considerations among other NATO allies.

Meanwhile, the NATO secretary-general, Dr. Joseph Luns, said last night that those NATO governments—including Britain, West Germany, France and the U.S.—which had received letters from President Leonid Brezhnev, the Soviet President, asking them not to produce or deploy the so-called neutron bomb in Europe, were now consulting on how to reply to it.

French gold rush intensifies

BY OUR OWN CORRESPONDENT PARIS, Jan. 24.

FEARS THAT the Left might win the March general election plus general uncertainty over the country's economy and the instability of the international monetary system have intensified the flight of the small French investor into gold.

The greatest demand has been for the one kilo gold ingot, the gold Napoleon coin with a 20-franc face value, and related gold coins, while State loans indexed on gold or the European unit of account have also been eagerly sought after.

After the pressure on it, yesterday, when 15,000 coins were exchanged, the gold Napoleon stayed at Frs.300 to-day. For a coin containing 5.8 grammes of gold this represents a 90 per cent. premium over its gold content.

The 20-franc Swiss gold coin, one of the more popular of the many gold coins traded freely in Paris, identical in content to the Napoleon, ended the day at Frs.269 against 264.80 yesterday. The one kilo ingot was quoted at Frs.28,595, against Frs.28,140 at yesterday's close.

Amongst State issues the star performer was the 4½ per cent. 1973 issue indexed on the value of the Napoleon. To-day this went through the Frs.800 barrier to end at Frs.801. It ended last week at Frs.741 and yesterday at Frs.774.

Analysts are pointing out that the volumes traded are still below the levels of 1974 when a presidential election came within a whisper of installing the socialist leader M. Francois Mitterrand in the Elysee and that monetary erosion has made direct comparisons of volume difficult.

Nonetheless it is clear that a couple of pessimistic opinion polls on the Government's election chances and as well as Government internal squabbles have sent the small investor scurrying for security in the time honoured manner. There are still more than 50 days to go to the election.

Marchais eases coalition line

BY ROBERT MAUTHNER PARIS, Jan. 24.

M. GEORGES Marchais, the French Communist leader, appears to have modified the position of his party once again by stating that the Communists would be prepared to join a Left-wing government, without mentioning an important condition which he had posed earlier.

Less than two weeks ago, M. Marchais made it clear that the Communists would refuse to conclude an electoral pact with the Socialists in the vital second round of next March's election unless they obtained substantially more than 21 per cent. of the popular vote in the first round.

The explanation for this stand, which was considered at the time to be the kiss of death for the Left, was that the Communists were interested in participating in a government only if they were sure that it would not be dominated by the Socialists and that they would be able to make their voices heard.

This position now seems to have been watered down, judging by remarks made by M. Marchais to French political journalists. Though the Communist leader's statement was by no means unconditional—the formation of a government with the Socialists would still have to be preceded by an agreement on a joint programme — it has nevertheless been interpreted as a conciliatory step towards his partners, however small.

Mr. Robert Fabre, the leader of the Left-wing Radical Party, who last September walked out of the negotiations on the updating of the joint programme of the Left because of Communist intransigence, to-day welcomed "the change of tone" of the Communist leader.

David Buchan in Brussels looks at the effects of the Davignon plan for European steel

Unhappy tale for consumers

FOR EVERY European steel maker moved to sing the praises of the EEC Industry Commissioner, M. Etienne Davignon, there are probably two steel users lamenting his latest plans to underpin and raise European steel prices and to stem low cost imports. They could of course have seen all this coming. The Commission, egged on by hard pressed steel masters and governments worried about plant closures, has been moving in this direction for the past 18 months.

But in the measures hastily taken in the closing days of 1977—a three month penal tariff on low cost imports to be replaced by price undertakings later, extension within the Community of compulsory minimum prices to three widely used basic steel products and increased guideline prices for the rest—the industries that use steel see an attempt to make them bail out the European steel sector a threat to their export competitiveness and a danger that the problems in one sector will be merely pushed on to another.

Steel users who run the gamut from the metal working sector through engineering of all kinds to the car industry, feel their interests have been ignored in Brussels. The more cynical in the Community Steel Directorate say they will measure the success of their plans for steel by the volume of protest from steel users. There is a basic imbalance of power between steel producers and consumers. The latter are a large and motley crowd. Orgalime (Organisme de liaison des industries metalliques Europeenes), its European representative body, reckons that its constituent national federations employ some 7.5m. workers in the Community, while those in basic steel making number less than a tenth of that.

But for all its numerical preponderance, Orgalime has none of the clout at the European level that Eurofer, the body that represents the tightly knit club of European steel producers, can wield. "There is a long tradition of cartels among steel producers, and none among the users," Mr. John Safford of the British Iron and Steel Consumers' Council, points out. The Davignon Plan—for good or ill—is a Europe-wide producer cartel under a politer name, sanctioned by the Brussels Commission.

Steel users are represented on the Community Coal and Steel Consultative Committee. By the 1951 Treaty of Paris setting up the Coal and Steel Community, the 70-odd members of this body

European steel users are unhappy about the Davignon plan to aid the Community's steel industry. They say higher prices must affect exports and the plan merely shifts one sector's problems to another.

are made up of "equal numbers of producers, of workers, and of consumers and dealers." The steel users' representatives claim that that makes for an in-built two-to-one majority against them. Trade union members tend to be "production oriented," while in this instance, most of the dealers or steel stockholders have gone along happily enough with the Davignon Plan. The crucial vote on December 28 on the new measures went 59 in favour, five abstentions, and three against. The committee's role is only "consultative" but the vote allowed Viscount Davignon to claim overwhelming support for his policies.

The 25th anniversary of the Committee will be celebrated in Luxembourg to-morrow with some fanfare. There is no great push to revise the Paris Treaty. The Commission at the moment is only too happy to have its wide ranging powers to hand. But some of the steel consumers feel it is out of date in the weight it gives to producers' interests and the unfettered scope it gives the Commission. Basic steel making (and coal, even more) is no longer as important as in 1953. But in spite of the decline in their economic importance, the political pull of the steel producers is as great as ever.

National governments show little worry about the side effects of the Davignon Plan. There is ample evidence that Viscount Davignon was pushed into tougher action against imports more quickly than be intended by thinly veiled threats from France chiefly, but also Britain, that they might otherwise take unilateral action. Mr. Edmund Dell, the U.K. Trade Secretary, asked about the inflationary impact of the steel measures, replied that it was more important to save British taxpayers' money by reducing the huge losses of the State-owned British Steel Corporation. Other governments feel the same. Britain is by no means the only member state to have a loss-making State steel concern.

No one in the Commission has any idea of what the impact of its steel plans on general industrial costs and prices will be. Even if the Commission wanted to, it would be, as Mr. Nicholas Groenhart, secretary-general of Orgalime, points out, very hard to calculate. The value of the steel in a product can vary between 15 to 50 per cent., depending on whether it is a simple bolt, or a high precision machine tool. But if Viscount Davignon succeeds in getting steel producers to comply with the minimum guideline prices (which they have only patchily obeyed so far) and raising those prices 15 per cent. during 1978 (a first increase of 5 per cent. was made on January 1), steel consumers will obviously find their costs increased. If the system is fully obeyed inside Europe, all steel consuming industries will be on an equal footing in the Community market—though even this is not certain, for the price constraints will be hard to apply to steel mills integrated with engineering companies.

The steel using industries are most concerned about their important export markets. In 1976, EEC engineering and metal working industries exported outside the Community a quarter of their total $230m. production. The problem is most pronounced for smaller countries like Belgium and Holland. In Belgium engineering and metal products account for 30 per cent. of total exports. While Mr. Servaas Wijnands, head of the Dutch metal users' federation, FME, echoes the worry of his Belgian counterparts when he says that the increased steel prices, coming on top of high Dutch labour costs and the high level of the guilder, jeopardise the 20-30bn. guilders worth of exports from that sector every year.

The steel users have two other concerns about exports. One is that international steel prices will still remain depressed, thereby aiding their competitors outside Europe, and that in particular Community steel producers will play a part in this by exporting below domestic prices—though maybe not to the U.S. where the new fast anti-dumping procedures will deter them.

The other is that any tough Community action against steel imports might lead to retaliation against EEC processed steel products. The Commission intends to negotiate longish term restraint agreements on imports. But in the first quarter of 1978, while this is being done, the EEC commission is taking unilateral action. This week it imposed its first batch of anti-dumping duties on imports. This is being followed up by dumping investigations. In addition, and to the dismay of the Commission officials, there are well substantiated reports that France and Italy have been blocking almost all steel imports from the start of 1978, from third countries (and making it difficult for imports from other Community countries) since using the many means of administrative harassment that their national customs services have at their disposal.

Commission officials say they intend to put a check on this "freelance" protectionism by certain member states. But until they do, Europe's steel using industries feel their exports uncomfortably exposed to retaliation by third countries.

For all their grouses, most European steel users recognise that a viable European steel production sector is in their long term interest. They concede that while the Davignon Plan may make all the difference as to whether a steel company sinks or swims, few steel using companies are going to be forced into bankruptcy by it. But all the metal users' federations complain about the lack of precise guidance from Brussels on how, for instance, contracts are affected by the new steel plans.

Commission officials complain now about the number of telephone calls they receive from puzzled buyers of steel. Even Brussels-based journalists, including this correspondent, have been contacted for any light they can shed on this.

All contracts involving products using imported steel shipped to the EEC after December 21, 1977, will have to be rewritten unless the buyer wants to make a loss. The Commission made this clear by cancelling all import licences on that date and only issuing new licences that conform to the new minimum import price. But many steel users who buy Community steel are uncertain about the effect of the new compulsory minimum prices.

These now cover reinforcing bars (since May 1977) and hot rolled coils and merchant bars (since December 1977)—products widely used in the construction, metal manufacturing, and car industries and accounting for about 30 per cent. of total EEC steel production. The Commission says the date of contracts covering these products is irrelevant, and that the minimum prices must be obeyed on the day of actual delivery.

So, long-term contracts signed before the various minimum prices came into force provide no escape. The usual price rebates

Viscount Etienne Davigno[n]: plans to help steelmakers

given by a Community st[eel] maker to steel buyers may c[on]tinue, but they must not [be] increased.

Naturally, a variety of st[eel] users have been clamouring [for] special exemption from [the] compulsory minimum pri[ces]. For instance, tube manuf[ac]turers have pressed on the C[om]mission that they sould not h[ave] to pay the new minimum p[rice] for coils, a principal input. [So] far the Commission has turn[ed] a deaf ear to these request[s], except in one important ca[se]: shipbuilding. Here Visco[unt] Davignon's officials realise t[hat] this industry is in no posit[ion] to shoulder new costs, and t[hey] are considering ways of lett[ing] cheap steel plate imports i[nto] the Community.

One technical "fiddle" be[ing] considered by the Davig[non] officials would be to declare t[hat] imported steel plate, built [in] EEC yards into ships for export outside the E[EC] had never "entered" [the] Community, and so would [not] have to meet the minimum [im]port price. The amounts co[uld] be large. From January-Nov[em]ber 1977, Japan alone expo[rted] 200,000 tonnes of steel plate [to] the EEC, more than a fifth [of] its total steel exports to [the] Common Market. But if [this] happened, the clamour of o[ther] sectors for special treatm[ent] would reach a new pitch.

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AMERICAN NEWS

[S]oviet [nuclear]-satellite [t]urns up [o]ver Canada

[B]y Our Own Correspondent

WASHINGTON, Jan. 24.

SOVIET military satellite, [po]wered by a small nuclear [po]werpack, fell to earth over [no]rth-west Canada early this [mo]rning about a month after [U.]S. intelligence officials first [no]ticed that it was in trouble.

Dr. Zbigniew Brzezinski, the [Pr]esident's National Security [Ad]viser, told reporters this [mo]rning that the satellite, [wh]ich was fuelled by several [po]unds of enriched uranium [to] give it electrical power, had [al]most certainly burnt up as it [re]-entered the earth's atmos[ph]ere. U.S. aircraft had been [se]nt to measure possible radia[tio]n but "this is not a horror [sc]enario," he said.

Dr. Brzezinski said that no [we]apons had been aboard the [sa]tellite which was launched [in] September. Last month he [sa]id U.S. monitors had noticed [th]at it was having problems [an]d earlier this month he had [as]ked Mr. Anatoly Dobrynin, [th]e Soviet Ambassador, to [ad]vise the administration if its [re]-entry would cause any [da]ngers to health or property.

He said that after several [m]ore promptings the Soviet [U]nion had supplied enough in[fo]rmation for the U.S. to con[cl]ude that the risk of [ra]dio - active contamination [fr]om the satellite was small. The satellite plunged to earth [th]is morning and disintegrated in the course of a pattern [w]hich took it over Queen [C]harlotte Island off British [C]olumbia." If debris eventually [fe]ll to earth, he said, it [p]robably landed roughly in the [a]rea east of the Great Slave [L]ake.

National Security Council [of]ficials stressed that the Soviet [U]nion had, in the end, co-[o]perated fully with the U.S. [a]nd the whole affair had been [h]andled responsibly. They said [t]hat the Russians have sent [m]ore than ten miniature [n]uclear reactors into space but [t]hat on each previous occasion [t]hey had been boosted far into [o]uter space where they were [e]xpected to stay in orbit for up [t]o 1,000 years and fall apart [b]efore reentering the earth's [a]tmosphere.

[R]euter adds from Edmonton: [C]anada has sent a team of 22 [e]xperts to an area about 60 [m]iles from Yellowknife in the Northwest Territories, where debris may have fallen.

Hopes fade for coal strike settlement

By Stewart Fleming

NEW YORK, Jan. 24.

[H]OPES that the wage contract [t]alks between the striking [U]nited Mine Workers' Union [a]nd the Bituminous Coal [O]perators' Association were [m]oving rapidly to a settlement [f]aded to-day when the union [r]ejected the latest management [o]ffer and broke off discussion.

The coal strike has moved [i]nto its seventh week, halting [o]utput of about half the coal [p]roduction in the U.S. and [m]aking idle some 160,000 [m]embers of the UMW. The [F]ederal Mediation and Con[c]iliation Service, which has [b]een keeping pressure on the [t]wo sides to continue the talks, [w]as expected to make a state[m]ent later to-day.

In recent days, there have [b]een reports that the two sides [w]ere moving closer together.

There were indications that, [a]t least on wage and remunera[t]ion benefits (the economic [i]ssues), the union and the [i]ndustry were close to agree[m]ent. The outstanding problem [s]eemed to be the owners' [d]etermined efforts to try to [g]et agreement over proposals [a]imed at reducing the disrup[t]ion caused by wildcat strikes.

The owners have been press[i]ng for financial penalties for [m]iners who go on unofficial [s]trike, so as to have them [m]ake up payments to the [i]ndustry finance, health and [r]etirement funds, which are [m]aintained by royalties based [o]n hours worked and produc[t]ion.

As the strike lengthens, and [w]ith at least a ten-day ratifi[c]ation period needed after any [a]greement, there is increasing [c]oncern about the impact of [t]he dispute on the economy.

So far, with stocks high and [p]roduction continuing from [t]he coal-fields not manned by UMW members, there have [b]een no serious disruption. [B]ut fears of coal shortages in [c]ertain districts are increasing.

Miller praises Fed moves to underpin dollar

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, Jan. 24.

MR. G. WILLIAM Miller, the choice of President Carter to be the next chairman of the Federal Reserve Board, stated to-day that the recent decline in the value of the dollar had been "overdone," and that the Fed and the Treasury had been "timely" in acting to end disorderliness in the foreign exchange markets.

He generally endorsed the floating exchange rate system, but noted that floating rates could be subject to speculation and produce "unrealistic" changes in relation to true economic facts. It was necessary, he said, to have a "practical" policy towards the U.S. dollar which would take account of the potentially adverse impact of too cheap a dollar on the domestic economy.

These were the principal international points in the opening day of Mr. Miller's appearance at a hearing by the Senate Banking Committee, which is considering whether to recommend confirmation by the Senate of the appointment. His performance was lucid and persuasive, without ever suggesting that he would institute drastic policy changes at the Fed.

The day was also marked by extensive digressions into whether or not a subsidiary of Textron Corporation, of which Mr. Miller was chief executive, had made improper payments in 1973 in Iran. As a result of the questioning, Senator William Proxmire, the committee chairman, ordered the committee staff to investigate the matter further. The case in question concerned the payment of \$2.9m. to a former Iranian agent (a high-ranking military officer) of Bell Helicopter, a Textron subsidiary, in connection with a sale of helicopters worth more than \$500m. to the Iranian Government. This payment, it is alleged, had not previously been disclosed, which may constitute a violation of the regulations of the Securities and Exchange Commission.

Mr. Miller carefully replied that, although the fee was large, it represented a tiny fraction of the value of the contract and essentially constituted a termination fee for the services of the agent, who had worked for Bell on and off for more than 12 years.

Mr. Miller also stated that the fee had not been charged up as part of the contract, but he acknowledged that it had been claimed by Textron as a business expense against tax liabilities.

Several Senators, clearly impressed with Mr. Miller's performance on economic grounds, expressed confidence that he would be confirmed once the matter was cleared up. Even Mr. Proxmire, who had earlier been sharply critical of Mr. Miller's qualifications—he suggested that a monetary professional was required—said that he might vote for confirmation.

On general economic matters, Mr. Miller was circumspect, declining several opportunities to be drawn into criticisms of the policies of Dr. Arthur Burns, the retiring chairman. Recent Fed actions, he said, "have been generally correct." His own goal, if confirmed in the post, would be to continue to try to steer monetary policy so as to serve the needs of adequate growth and lower inflation.

He stressed that there was slack in the economy and was concerned that the rate of growth might prove insufficient. He added that a continuing 6 per cent. underlying rate of inflation was "unacceptable," but that it would not be easy to reduce.

Mr. Miller also declined to rule out absolutely any form of wage and price controls—a red rag to business and labour here—but he expressed a clear preference for voluntary action along the lines advanced last week by President Carter.

Carter defended on prosecutor

BY OUR OWN CORRESPONDENT

WASHINGTON, Jan. 24.

THE U.S. Justice Department today took the highly unusual step of publicly announcing that President Carter and Mr. Griffin Bell, the Attorney-General, had not acted unethically in dismissing a federal prosecutor in Philadelphia.

The announcement followed the equally unusual taking of sworn statements from Mr. Bell and President Carter, following allegations that they moved to dismiss Mr. David Marston, a federal prosecutor appointed to Philadelphia by President Ford, because he was investigating two Democratic Congressmen on possible corruption charges.

Mr. Marston and others have charged that one of the Congressmen, Mr. Joshua Eilberg, asked President Carter to dismiss Mr. Marston last November and that the President moved to do so knowing that Mr. Eilberg was under investigation.

Mr. Wade McCree, the Solicitor General, said this afternoon that an internal Justice Department inquiry had concluded that neither the President nor Mr. Bell knew that any Congressmen were under investigation in November, although others in the Justice Department, according to Mr. Marston, did know that members of Congress were involved.

President Carter has always insisted that he did not learn that Mr. Eilberg was being investigated until January 12, when he faced a series of questions about the inquiry at a news conference. The taking by the Justice Department of a sworn statement underlines how sensitive official Washington is to charges of this kind post-Watergate.

Mr. Carter has also made his own position worse by apparently encouraging the removal of a Republican prosecutor less than a year after he made a point of saying in his election campaign that he wanted to "depoliticise" all legal and judicial appointments.

Mr. McCree and Mr. Bell said to-day that the investigation into the two Philadelphia Congressmen would continue and would be pressed home if necessary. The charges are in connection with the building of an extension to a Philadelphia hospital.

Venezuela debt estimate

BY JOSEPH MANN

CARACAS, Jan. 24.

THE TOTAL public debt of the Venezuelan government will reach \$10.2bn. (Bs.44bn.) by the end of this year, the Finance Minister, Sr. Luis Silva Luongo has stated.

He said that some \$249m. in foreign credits would be used for re-financing existing debt, while \$2.56bn. would be applied to government projects in basic industry.

The figures given by the minister indicate that Venezuela will apparently seek more than \$2bn. this year in new credits. However, it is not known exactly how much will be in the form of loans or bond issues abroad.

The government is now putting final touches on a loan agreement, for \$1.2bn., with a syndicate of overseas banks. The ten-year credit, to be granted by U.S., European and Japanese banks, will be made at ¾ per cent. over Libor with a three-year grace period.

Estimates by the Central Bank of Venezuela last month put the public debt at \$8.05bn. at the end of 1977, up by 55 per cent. from the figure registered at the close of 1976. External public obligations for the end of 1977 were estimated to be \$4.77bn., up from \$3.5bn. a year earlier.

THE FUTURE OF BELIZE

Whitehall seeks a way out

BY HUGH O'SHAUGHNESSY

TALKS IN London on the future of the remote British colony of Belize in Central America are to continue to-day. The intractable nature of the problem is indicated by the fact that Dr. David Owen, the Foreign and Commonwealth Secretary, and Mr. George Price, the Premier of Belize, were expected to have ended their discussions yesterday.

Britain wants to see Belize graduate to independence as soon as possible. This would release Whitehall from the need to station a garrison of British troops, backed by the Royal Navy and the RAF, in a strip of far away land about which the proverbial man on the Clapham omnibus knows little.

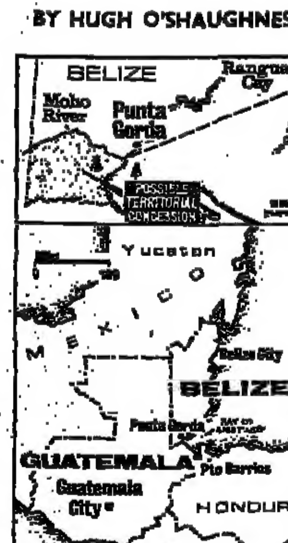
The garrison is there to neutralise any attack from the military-dominated regime of General Kjell Laugerud in neighbouring Guatemala, which claims sovereignty over Belize.

The Foreign and Commonwealth Office in general, and Dr. Owen in particular, want action—in the form of a British withdrawal—fast. The day of the colony is over, they say. They want an arrangement with Guatemala which could involve the granting of Belizean territory and British aid in exchange for an undertaking that Guatemala will give up once and for all its claim.

In this they are supported discreetly by Washington, which wants no new sources of friction in an already troublesome Caribbean on its back door. Washington would be happy to mediate in spite of the fact that ten years ago a compromise agreement worked out by Mr. Bethuel Webster, a U.S. jurist, appealed to none of the parties involved.

The thinking in Whitehall and Washington is that there will be no solution which does not involve Belize ceding some token amount of land to assuage the tempers of the Guatemalan military dictatorship. Both also feel that it would be better to do a deal to-day with General Laugerud than wait while he and his successors build up Guatemala's military potential. (It is doubtless no coincidence that Mr. Terence Todman, the U.S. Assistant Secretary of State who deals with Latin America, was in Guatemala City yesterday as Dr. Owen and Mr. Price met in London.)

Various plans for the cession of territory to Guatemala have been mooted. They have included all land south of the Monkey River, whose mouth is 45 miles from the southern tip of Belize; all south of the Rio Grande, 25 miles from the tip; and all south of the Moho River, 12 miles from the tip. One current proposition is that all land south of the Moho River, together with that stretch of sea between the Moho and Ranguana Cay, should go to Guatemala.



All these schemes would involve the cession of land and marine areas where a consortium led by Exxon is currently drilling in search of oil. Some ten wells are to be sunk of which two, one offshore, have been completed.

One suggestion is understood to have been that rights to any oil found in the area ceded would be split equally between Belize and Guatemala. The Belizeans are naturally worried at the thought of the loss of a large potential source of wealth.

Apart from some citrus, sugar and lumber the is little now to give a livelihood to the sparse population of 120,000 Belizeans.

In negotiations the Guatemalan government of General Lavgerud has laid particular claim to land and sea areas which would give Guatemala sovereign control of a route between its ports, Puerto Barrios and Santo Tomas, and the Caribbean. The Guatemalan government says it is worried by the fact that at present access from the Caribbean to the ports passes through waters in the jurisdiction of Belize and Honduras.

The Price government has been unyielding in its resistance to the cession of territory. This, it fears, would only whet Guatemalan appetitites for more and prove an occasion for future recriminations, with Guatemalans complaining that not enough was taken and Belizeans arguing that too much was given.

In its stand the Price government has been supported by the governments of the Commonwealth, Caribbean, notably Guyana, which has border disputes with its neighbours Venezuela and Surinam, and which does not want the precedent created of frontiers being altered.

In the rest of the Caribbean, too, the Belizian stand has been supported and Mr. Morarji Desai leader of the Commonwealth's most populous country, India, is believed to have given Mr. Price particularly strong backing.

Somewhat tangential to the dispute is Mexico, which has a dormant claim to a small stretch of northern Belize. The Mexicans say firmly that they will not revive it unless Guatemala takes over southern Belize. The Mexicans have in fact let it be known that they would be willing to intervene militarily on the Belizean side against a Guatemalan invasion.

Although Britain is anxious for settlement of the question it has consistently stated that it would do no deal which did not have the support of Belizeans. Any deal which was opposed by Belizeans would obviously be repugnant to the big majority of the members of the UN, which have on several occasions voted in favour of Belize's stand for full and secure sovereignty within its present borders and against the Guatemalan claim.

The difficulty facing Dr. Owen to-day is that of persuading Mr. Price that a token cession of land to Guatemala is the only viable way forward.

So far Mr. Price has shown no inclination to be persuaded. In the highly unlikely event that he were to be persuaded, it would be next to impossible for him to sell the idea to his electorate.

Both his own party, the People's United Party, and the opposition have ruled out acceptance of any territorial concession. What the eventual outcome will be and when the last British troops leave Belize is anyone's guess. A solution to the imbroglio looks like continuing to be a test of politicians' and diplomats' wits.

U.S. pressed to put off aircraft sale to Saudis

By David Bell

WASHINGTON, Jan. 24.

THE CARTER Administration is coming under renewed pressure to postpone for the second time the sale of 60 advanced fighter aircraft to Saudi Arabia, posing it with an acute dilemma in the midst of the current Middle East peace negotiations.

Although the Saudis are pressing for an early favourable decision on their request for 60 F-15 aircraft, Mr. Ezer Weizman, the Israeli Defence Minister, is due here shortly in a fresh attempt to get the administration to sell his Government at least 20 of the same aircraft. Approval of such a sale, at this particular moment, could greatly anger the Egyptians, who are themselves pressing the U.S. to give them advanced weapons.

But it is the Saudi decision that is probably the most pressing. Relations with Saudi Arabia have been somewhat clouded in recent weeks, partly because of the failure of the administration to get the energy Bill through Congress, partly because of the fall in the dollar, and partly because of Saudi doubts about the Sadat peace initiative.

The Saudis thus consider the deal to be a key symbol of U.S. attitudes to the Riyadh regime. But several leading senators and the powerful Israeli lobby here argue that the sale of these advance aircraft would upset the Arab-Israeli balance of power and give the Arabs an important advantage in the event of another war.

Senator Frank Church, who is likely to be the next chairman of the Senate foreign relations committee, has been putting new pressure on the Administration to recognise the logic of the Israeli position and postpone the sale. He has circulated a letter in the Senate to this effect, a letter which the Administration takes very seriously because Congress has the power to block the \$1.5bn. Saudi deal.

Administration officials have argued that it might be possible to set up some kind of "package deal" under which the Saudis, the Israelis and the Egyptians would all be sold advanced aircraft at the same time. This might take some of the heat out of the situation, but many senators are still convinced that this is the wrong time to announce any new Middle East arms sales.

Last summer the threat of opposition of the kind Sen. Church is now considering convinced the administration to delay the formal notification of the proposed sale to Congress which is required by law. Once this has been made, Congress has the power to veto any arms sale above \$20m.

REAL ESTATE IN NEW YORK

The clouds lift for Manhattan

BY A SPECIAL CORRESPONDENT IN NEW YORK.

THE New York City real estate community has reached a cautious consensus that things are improving. After four years of virtual paralysis brought about by the snowball effects of the energy crisis, the city's near-bankruptcy, and a wave of corporate departures, the clouds seem to be lifting slightly. Mr. Lou Rudin, a major builder-owner, expressed the general sentiment when he said: "We are on the way back."

This is especially true in Midtown—the central business area of Manhattan Island bordered roughly by 42nd Street and 59th Street to the south and north, Third Avenue and Avenue of the Americas (Sixth Avenue) to the east and west. Office occupancy rates are rising so quickly that real estate agencies are hard put to keep up; in many cases they are double what they were last year at this time. Mr. Kenneth Patton, the head of the Real Estate Board of New York, a private organisation of real estate dealers, attributes soaring occupancy to "deferred commitments, companies waiting perhaps a little too long . . . to expand into new space. Now its turned around in the last six months and they are hastening to catch up."

Demand, according to Mr. Patton is coming from medium-sized companies for medium-sized space—"the meat and potatoes of the market." Three factors—the city's commitment to holding real estate taxes level (they had been climbing at the rate of 6 per cent. annually until last year): the state's intervention in city affairs: and the introduction of modest tax relief for business—created the favourable psychological atmosphere necessary to expansion.

With the Midtown office market getting tighter, construction of new buildings and sales of older ones are on the upswing, although as one lender, Mr. Rex Tompkins, president of Dry Dock, a savings bank, cautions, "it is not like the boom years of the 1960s, where commercial banks were making construction loans without commitments from a savings or insurance institution for permanent loans. The consensus is that buildings will generally be smaller now, to save time in finding land and construction, and to suit the needs of the medium-sized American companies or, increasingly, international financial institutions.

Demand from abroad is being felt in all aspects of the real estate market. The weakening of the dollar has enticed in Europeans, Arabs, and Japanese to New York. Investors from the petroleum-producing countries are said to be quite active in real estate investment.

Foreign financial institutions are interested only in the most prestigious office premises which are generally the new buildings. Their employees share similar interests when looking for living accommodation, a fact that has played a large part in a recent boom of luxury apartments and town houses.

In addition to the half dozen office buildings currently scheduled for construction in Midtown, a number of new hotels are also planned. Demand for hotel rooms has increased noticeably during the past 12 months and some of it is attributable to foreigners who are in a position to pay a good price because of the decline of the dollar.

Towering over all this activity in Midtown, and considered by many to be a symbol and herald of a resurgence of the city, there is the \$150m. Citicorp Center which even before its opening last autumn has had a radical effect on its surroundings and the city skyline. Its office tower, which looks like an upended doorstoop is the eighth largest skyscraper in the world and said to be the most energy-efficient. The complex consisting of three buildings, occupies a block on Lexington Avenue which in spite of its prime location had been deteriorating, littered with a preponderance of seedy bars and massage parlours.

There is something of a tradition in New York City of major development designed to serve the dual purposes of business and culture.

Other areas of the city are not doing as well as Midtown. Mr. Frank Troisi of James Felt Realty characterises to-day's real estate investor as particular. "He does not want junk or marginal property. He wants prime." In to-day's market that means Midtown, East-side. Whereas a few years ago the West-side and Broadway in particular were attracting a good deal of interest and several projects, including a conference centre, were started. "To-day I cannot give them away." There is some hope that the newly expanded Port Authority building on West 42nd and the Convention Center if and when it settles into one of two West-side locations, will eventually revitalise the area.

As for the downtown Wall Street area, the other centre of prestige addresses, it is only seeing a slight comeback from the worst days of the 1970s. Talks are now under way to build a hotel at the World Trade Center, the first in Lower Manhattan since the turn of the century.

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Argentina, Chile 'to put boundary row on ice'

It appears that a basis for defusing the Beagle Channel boundary dispute between Argentina and Chile has been laid Robert Lindley writes from Buenos Aires. Talks between the respective presidents—Gen. Jorge Videla and Gen. Augusto Pinochet—which began last week, will end to-morrow in Chile. It is reported that at their meeting last week in Mendoza, Argentina, the two presidents worked out a document which is subject to approval by them to-morrow.

According to reports, if this approval is forthcoming, a status quo will be declared in the area of the dispute for at least six months, during which time Chilean and Argentine experts will study the impasse. Their task would be to produce a document establishing "precisely and definitively" the positions of both countries in the disputed area near Cape Horn in the future. Such a move would not mean that Argentina relinquishes its claim to waters and islets in the area where, the Argentine Government maintains, Chile has extended its claims excessively.

Peru emergency

A state of emergency has been imposed in Peru in the northern coastal city of Chimbote where steel workers have been on strike for seven weeks at a plant there, demanding a 28 per cent. pay increase and the reinstatement of 54 worker fired after a general strike in July, Reuter reports from Lima. Two workers were reported to have been killed in clashes with police on January 13 in Chimbote. Further clashes took place on Monday, and workers went on brief strikes to support the steel workers. The city has suffered severe economic depression and unemployment, particularly since the fish catching and processing industry went into decline in the last three years.

Quebec language

The Canadian government is offering Quebec a new deal aimed at attracting more French-speaking immigrants, Victor Mackie writes from Ottawa. The Quebec Immigration Minister, M. Jacques Couture, said that the deal would give Quebec decisive powers in the selection of immigrants. He said his Government was "on the brink of signing it." Meanwhile, the Quebec Superior Court has annulled key provisions in a controversial law passed by the provincial government which made French the language of the courts.

Barbados payments

The Barbadian 1977 balance of payments deficit will be in the region of \$B20m. (\$US10m.), the Central Bank reported yesterday, Reuter reports from Bridgetown. The bank said that the deficit was "encouraging" as compared with the 1976 figure of \$B39m. (\$US19.5m.). "We have done a little better. This is largely a result of import controls."

THE MIDDLE EAST

Syria, Iraq peace hopes at 'rejectionist' summit

BY LOUIS FARES

DAMASCUS, Jan. 24.

AN ARAB summit bringing together Syria and Iraq in opposition to President Sadat of Egypt's bid for peace with Isarel will be held in Algiers early next week, probably on January 29, it was confirmed here to-day by officials.

The so-called "steadfastness" summit will be preceded by a meeting of foreign and defence ministers. According to officials, it will aim at the elaboration of an "efficient plan to foil Mr. Sadat's plans and to reconcile the rival regimes of the Baath Party ruling in Damascus and Baghdad."

It is expected that the Palestinian Liberation Organisation, Libya and South Yemen will be represented at the gathering in addition to Syria, Iraq and Algeria. It has been arranged following President Boumedienne's intensive efforts to mediate between Syria and Iraq.

A hint of the Syrian Government's strong desire for a reconciliation was given yesterday by Mr. Abdel-Halim Khaddam, the Foreign Minister. In a speech to Damascus University, he said: "We in Syria will try to restore the strategic balance between us and the Zionist enemy in the light of the defection of Sadat to the enemy."

He also asserted that Syria was doing everything in its power to strengthen its armed forces and to form an Arab front capable of conducting "the national struggle."

Without reconciliation with Iraq and its participation in an "Eastern Arab front," there is little that Syria and Jordan can do to confront Israel militarily.

With reference to Egypt, Mr. Khaddam said: "If one nation falls into a swamp, this does not necessarily mean that a whole nation has given up its goals or ambitions."

He spoke amid heightened apprehension here that the U.S., Egypt and Israel have agreed upon a plan to resettle the Palestinian refugees in the Lebanon.

Ihsan Hijazi adds from Beirut: Informed diplomatic sources reported Libya is putting up the money to pay for the new Soviet arms deliveries to Syria. The total amount may run as high as $1bn., the sources said.

The Shah of Iran is reportedly considering an oil embargo against Israel if the Middle East peace negotiations are stalemated, according to the oil newsletter, Arab Press Service, Ihsan Hijazi writes from Beirut. However, there was no confirmation in Tehran and informed sources believed such a move unlikely.

They added that Colonel Boumedienne told Soviet leaders when he visited Moscow earlier this month that Algeria will be ready to pay for whatever extra arsenal the Syrians may need in future.

Reuter reports from Kuwait: Saudi Foreign Minister Prince Saud al-Faisal paid a brief visit to Kuwait to-day but no official announcement was made on a much-heralded joint effort to mediate Arab disagreements over Egypt's peace moves.

Prince Saud, who met the Emir of Kuwait, Sheikh Jaber al-Ahmed al-Sabah and Foreign Minister Sheikh Sabah al-Ahmed al-Sabah, said it was the responsibility of all Arab countries to seek the rallying of Arab ranks,

Lebanon clashes intensify with dispute over village

BY OUR OWN CORRESPONDENT

BEIRUT, Jan. 24.

CLASHES in Southern Lebanon gained in intensity early to-day as Palestinian guerillas and right-wing Christian forces fought to control the village of Blat about eight miles from the Israeli border.

The rightists said their forces, operating out of Marjayoun, mounted an offensive late last night and captured the village. By dawn they were undertaking mopping-up operations, according to the Voice of Lebanon, the radio station of the Christian Phalange party.

Eyewitnesses reported that the Palestinians to-day mounted a counter-offensive to recapture the village. Palestinian sources said Blat was now back under their control, but the situation remains unclear.

The former President Franjieh made a short visit here for consultations with President Hafez al Assad, who is a close friend. Mr. Franjieh is one of the leaders of the "Lebanese Front" which groups the main right-wing parties in the Lebanon.

Since President Sadat visited Jerusalem and started his dialogue with the Israelis, Syrian leaders have feared a new flare-up in Lebanon. The Egyptian leader did formulate, during a recent speech, fears that the Lebanon would witness renewal of the civil war if Syrians and Palestinians did not support his initiative.

Syrian leaders are accutely aware that the civil war in Lebanon intensified after the second Sinai Accord was concluded between Israel and Egypt. At the time, Syrians and Palestinians expressed opposition to the agreement condemning Mr. Sadat as "a traitor."

Israel may decide to send team to Cairo

By David Lennon

TEL AVIV, Jan. 24.

THE PROSPECTS for a breakthrough in the Middle East peace negotiations stalemate improved slightly to-day. The Israeli Cabinet may decide on Sunday to send its delegation back to Cairo to renew the military talks wih Egypt.

The decision of the Minister of Defence, Mr. Ezer Weizman, to postpone his trip to Washington, planned for Thursday, is being explained by officials here as designed to demonstrate Israel's preparedness for a renewal of the military talks.

But they also cautioned that it should not be interpreted as meaning that agreement to renew the talks has already been reached.

The Government will be watching Egypt's reaction to the speech yesterday of the Prime Minister, Mr. Menahem Begin. If there is a lowering of the level of attack on the Prime Minister and the Government, the Cabinet is likely to decide at its meeting on Sunday to send its delegation to Cairo for a continuation of the miliary discussions.

Israel is anxious to see the political talks restarted and is reported to be showing some flexibility on the crucial Palestinian issue.

The U.S. Assistant Secretary of State, Mr. Alfred Atherton, met to-day with the director general of the Foreign Ministry, Mr. Efraim Evron.

Michael Tingay adds from Cairo: Egypt to-day waited to discover the outcome of the talks in Jerusalem between Mr. Alfred Atherton and Israeli leaders.

Egyptian officials were unable to confirm rumours that Mr. Atherton would be flying to Cairo to-morrow for talks with President Sadat. Mr. Hermann Eilts, American Ambassador in Cairo, saw the Egyptian leader to-day but there was no word available from the U.S. embassy.

FRANCE AND AFRICA

A new grand design

BY ROBERT MAUTHNER RECENTLY IN WEST AFRICA

THE OFFICIAL visit which President Giscard d'Estaing has just paid to the Ivory Coast—which together with Senegal is—France's closest black African ally—has again turned the spotlight on what has become known as France's "New African Policy."

Critics tend to look upon this policy as mere neo-colonialist nostalgia and the desire by a former imperial power to play a world role which it has neither the economic nor military power to fulfil. President Boumedienne of Algeria has even gone as far as accusing France of wanting to act as "The Gendarme of Africa." But the explanation for the new French interest in Africa is certainly more complex.

Presidents Senghor of Senegal and Houphouet-Boigny of the Ivory Coast, to say nothing of King Hassan of Morocco and the leaders of some smaller French-speaking African States, have been pressing France hard to play a more active role in Africa. President Houphouet-Boigny again pulled out all the stops to persuade the French President to make a military commitment to the security and defence of the so-called "moderate" African States during the latter's visit, and it is probable that even the French are not prepared to go quite as far as the Ivorian leader would like.

All M. Houphouet-Boigny's speeches and interviews over the past two years have been larded with dire warnings against the growing Soviet and Cuban influence on the African continent and with the need for France, as well as other European nations, to adopt more dynamic African policies in order to prevent Africa from becoming a battleground between the super-Powers.

The pressure from France's African friends and former colonies, together with the need to satisfy a substantial section of the French electorate which still yearns for the world role which General De Gaulle carved out has clearly impressed President Giscard D'Estaing. Elected to the Presidency in 1974 without a clearly-defined foreign policy and criticised by the Gaullists for abandoning French independence in world affairs and kow-towing to the U.S., the President regards Africa as a suitable region in which to confound his detractors.

Encouragement for his policies has lately come from an unexpected quarter. President Jimmy Carter, during his visit to France earlier this month, apparently expressed considerable sympathy for French policies in an area of the African continent where U.S. influence has not, so far, been very great. To what extent this support will make itself felt in practice remains to be seen, but the French, at least, feel that they are not acting entirely in isolation.

Backed by several leaders of French-speaking African states, President Giscard d'Estaing, who is just back from a visit to the Ivory Coast, is taking steps towards formulating a more active role for France in Africa.

The euphoria engendered by President Giscard's triumphal reception in the Ivory Coast has produced the usual nationalistic comments from some French officials. The U.S., it is claimed in Paris, has refused to involve itself in Africa following the Vietnam debacle and is adopting a purely pragmatic attitude to the Continent's problems as they arise. Britain, though involved in working out a Rhodesian settlement, is heavily dependent on the U.S. and has virtually abandoned any independent role in Africa. Only the French have what could be described as "a grand design."

The theoretical basis of this "grand design" can be summed up in a few words. Respect for the sovereignty, independence and territorial integrity of African countries within frontiers fixed when they become independent. African states should be left to solve their own problems but, if their security and independence is threatened, logistic or military aid should be provided if specifically requested by their governments.

Though President Giscard, in his proposal for a Euro-African solidarity pact, on which he will sound out his European partners at the next Common Market summit meeting, continues to place most emphasis on its development aid aspects, the French are increasingly thinking in terms of security and defence. With a military presence of about 7,000 men in French-speaking Africa, not including 1,200 military advisers, bases in Senegal, the Ivory Coast, Gabon, Djibouti and the Comoros island of Mayotte and, not least, a special 1,000-strong emergency force stationed in the South-West of France and ready to intervene anywhere at a moment's notice, France considers it is well-placed to answer African calls for help.

France has already tested its policy on two recent occasions. In April last year, at the request of President Mobutu of Zaire and King Hassan of Morocco, it provivided logistic air support to help the Zaire Government repel incursions into its southern province by Angola-based rebels. Last month French military aircraft took part in strikes against Polisario rebels, who are fighting the Mauretanians and Moroccans in support of their demands for an independent Western Sahara, the former Spanish colony annexed by Mauretania and Morocco.

The French, however, are well aware that in the case of bigger conflicts in which either Soviet or other large power interests are involved, such as the war between Ethiopia and Somalia, they cannot go it alone and that it why they are appealing to their European partners to join some kind of Euro-African security arrangement.

If, for the moment, France is talking publicly only about a pact modelled on the Helsinki European Security and Co-operation Agreement, it is clearly because it is realised in Paris that the obstacles to a meaningful mutual defence pact with independent African countries are still enormous, if not insurmountable.

Pres. Houphouet-Boigny

In the first place, the solidarity pact proposed by the French President is not intended to include the U.S., whereas General Alexander Haig, the NATO supreme commander, has recently called for a "demonstration" by NATO that it is prepared to intervene to prevent a conflict from escalating. Second, it is by no means clear how many African countries would be prepared to join the pact.

On a purely West and Central African level alone, the difficulties will be great enough. Nigeria is unlikely to subscribe to it and some French-speaking Moslem states, like Mali and Niger, might well hesitate to offend their Algerian brothers in the north by joining a French-inspired security arrangement. In this respect, it will be interesting to see what will be the attitude of Guinea, the former French West African colony with a "socialist" system, with which France is only just starting to patch up its relations after 17 years of deep freeze. President Giscard's projected visit to Guinea later this year may provide an important clue to the whole enterprise.

Not least, it can be argued that any attempt to forge closer defence ties between Western Europe and Africa could provoke even greater intervention by the Soviet Union and Cuba than hitherto and thus increase the already great risks that Africa will become a battleground between East and West.

Fukuda admits some economic policy failures

Prime Minister Takeo Fukuda admitted the failure of some of his economic policies for the first time yesterday, acknowledging that he never expected Japan's balance of payments surplus to be so large, Reuter reports from Tokyo.

"I am sorry to the Japanese people and foreign countries for such a situation," he told a plenary session of the Lower House of Parliament, saying that the domestic economy had failed to pick up and imports had not increased. Last year's current account surplus, announced by the Finance Ministry on Monday, reached a record $11.15bn.

Meanwhile, Japanese Government spokesmen regretted the decision by the EEC to impose anti-dumping duties on certain iron and steel products imported from Japan and six other countries.

Soviet arms airlift

A big Soviet airlift into Aden—reported to be carrying arms for transhipment to Ethiopia—has virtually ended, aviation sources said here yesterday, Reuter reports from Bahrein.

It was running at one plane a day last month, but only three big Antonov transports in the Aeroflot colours have taken the route over the Gulf to the South Yemeni capital this month, the sources said. The last was on January 19.

Harar defence

Ethiopia said the people of Harar, the mountain headquarters of Government troops in the Ogaden, had asked to take over defence duties to enable regular troops to mount "a full-scale counter-attack" against Somali forces—Somali forces had claimed that they had repulsed an Ethiopian counter-offensive and were fighting in the streets of Harar, Reuter reports from Nairobi.

UAE spending

The United Arab Emirates federal government plans to spend 10.5bn. dirhams (£1.4bn.) this year compared with last year's budget of 13bn. dirhams (£1.7bn.) according to the semi-official newspaper al-Ittihad, Reuter reported.

Sheikh Sultan Bin Mohammed al-Qasimi, chairman of the higher committee for the budget, who is also ruler of Sharjah, said the proposed budget would contain measures to stimulate the UAE economy.

Bhutto refusal

Mr. Zulfikar Ali Bhutto, the former Pakistani Prime Minister, refused to testify in his defence when questioned about events leading to the ambush of a political rival three years ago, Reuter reports from Lahore. He said he would answer questions dealing only with the reasons for the trial, why a case was "fabricated" against him, and his lack of confidence in obtaining a fair trial.

Students freed

The Indonesian Government has released a number of students arrested last Friday in an army crackdown on student groups opposing President Suharto's re-election next March, informed sources said yesterday, Reuter reports from Jakarta.

China tour ends

French Prime Minister Raymond Barre left Shanghai for home last night after a five-day visit to China during which he signed a five-year scientific and technical co-operation agreement, Reuter reports from Peking. He had talks on international affairs and relations between France and China with Communist Party Chairman Hua Kuo-Feng and Deputy Premier Teng Hsiao-Ping.

West Bengal Government raises quarrel with Delhi

BY K. K. SHARMA

NEW DELHI, Jan. 24.

THE MARXIST Government of West Bengal is heading for a confrontation with the Janata Party Central Government over the issue of State autonomy, with possibly serious implications for relations between New Delhi and the States and for the informal alliance between the Marxists and the Janata Party.

The confrontation has built up following the blunt refusal of Mr. Morarji Desai, the Prime Minister, to discuss the question of greater State autonomy at a conference of all Chief Ministers. The West Bengal Government has retaliated by taking the initiative in calling such a conference, the subject of which is greater financial powers for the States.

The response to the initiative remains to be seen. Many of the other States are ruled by the Janata Party and more will be after elections in six southern and eastern States next month. But it is known that some of the Janata-ruled States are also worked up about the issue. West Bengal's Finance Minister, Dr. Ashok Mitra, claims the Janata-ruled Government of Gujarat supports him and has independently sent a memorandum on the subject to the Prime Minister.

Dr. Mitra has said that the proposed conference will discuss not only the "financial relationship" between the central and state governments but also the "political relationship," since the latter had been eroded by amendments to the constitution by Mrs. Indira Gandhi.

Reuter reports from New Delhi: Bombay, India's second largest city, was at a virtual standstill to-day when about 7m. workers in the western state of Maharashtra went on a 24-hour strike.

The strike was called by national trade unions in support of a 42-day strike by state and local government employees demanding more pay.

China 'needs modern weapons'

BY COLINA MacDOUGALL

PEKING RADIO, quoting China's Scientific and Technological Commission for National Defence, has urged the modernisation of China's military system in terms which suggest that this is still a matter of some dispute. This came in an article attacking the opposition of the disgraced "Gang of Four" to military modernisation.

It was "foolish and even criminal," the article said, to think it was possible to use broadswords against the modern weapons of imperialism and social imperialism. In the past China's army had been able to use weapons seized from the enemy, but "those days are gone for ever."

The article pointed out that the development of modern weapons needed time. In five or 10 years from now, China's weapons may still be inferior to those of her enemies, in spite of efforts to modernise, it added.

WORLD TRADE NEWS

STORMY APPROACH TO TOKYO ROUND OF TRADE TALKS

EEC must give 'more details'

BY REGINALD DALE

GENEVA, Jan. 24.

SEVENTEEN industrialised countries have either tabled or are about to present their negotiating offers for the final phases of the Tokyo Round of international trade talks in Geneva, Mr. Alonzo McDonald, the chief U.S. negotiator, said to-day.

The countries — the U.S., the EEC Nine, Japan, Canada, Norway, Sweden, Finland, Switzerland and Austria—account for almost two thirds of world trade.

Mr. McDonald *told journalists*, however, that the EEC would have to provide a far more detailed offer to permit real negotiations to proceed. The U.S. was very anxious that the Community should do so in the next four to six weeks.

The U.S. document, tabled yesterday, is a 500-page computer print-out listing each industrial tariff heading and details of every *American offer in the agricultural* and non-tariff fields. Japan has tabled a similar document which Mr. McDonald praised as a "superb professional piece of work."

The Community's offer runs to only 12 pages and is limited to outlining the broad principles which will govern the EEC's conduct in the negotiations. This is partly because the Council of Ministers finally approved the Commission's negotiating mandate only last Tuesday.

Mr. McDonald said he accepted the Community's good faith, but made it clear that the U.S. expected a similar document to those of America and Japan as soon as possible.

The American offer provided for an average weighted industrial tariff cut of about 46 per cent., Mr. McDonald said. On $15bn.-worth of trade—one-third of U.S. imports in 1976—tariffs woul dbe eliminated altogether. *The average reduction on* industrial imports from the EEC would be nearer 50 per cent.

If the offer was carried through, the average weighted U.S. tariff would be reduced from 7.9 per cent. to about 4.5 per cent., he said. About 16 per cent. of American imports would be excepted from the cuts to some degree. Only about half that amount would be excluded. No individual industry had been left untouched.

The Community is offering a tariff cut of about 40 per cent. with no exceptions. Japan's *offer works out at about 42 per* cent., with items such as certain textiles, non-ferrous metals and chemicals excepted.

Mr. McDonald *said* the U.S. had made a "very attractive and constructive offer" on agricultural products. It was proposing a weighted average tariff cut of about 36 per cent. on the 200 items on which other countries had requested action. There were *only 12 cases in which it had* not responded to a request from a principal supplier.

Mr. Nobuhiko Ushiba, the Japanese Minister for External Affairs, said Japan remained "strongly sceptical" of European attempts to reform GATT safeguard procedures in the Tokyo Round of negotiations.

The EEC wants agreement that safeguard measures can be applied selectively against individual countries, rather than against all countries indiscriminately as the rules require.

Japan has long resisted the move for fear that it would be the main target of selective measures. Mr. Ushiba told a Press conference here last night that the Japanese position was still "rather stiff." Many developing countries had also expressed concern at the proposal during yesterday's meeting here to launch the final stage of the negotiations.

The U.K. has pressed strongly for the change and has indicated *that it can only agree to the* 40 per cent. tariff cut which the negotiators here are aiming at if *selective application of safeguards* is approved.

The U.S. now accepts that selective action might be taken in certain exceptional cases but it is trying to limit its use as far as possible so as to prevent trade restrictions spreading too widely.

Mr. Ushiba stressed that the July deadline which the main participants set themselves was for "political consensus." The complicated process of drafting the new agreement would come after that. A lot of controver*sies could still arise then.*

Australia in export curb row

CANBERRA, Jan. 24.

Australia called together diplomats of the European Economic Community to-day to protest strongly against curbs on Australian exports.

Mr. Vic Garland, the acting Minister for Trade and Resources, warned heads of nine EEC missions here that an agreement last year between Prime Minister *Malcolm Fraser* and Mr. Roy Jenkins, president of the EEC Commission, to improve trade links could be jeopardy.

At the same time, Mr. Garland told them he was ready to visit Brussels "at any time" to advance trade and commercial relations, a statement issued later said.

In the statement, Mr. Garland singled out restrictions on beef, steel, cereals and dairy products. *This follows similar criticism on* steel by Prime Minister Malcolm Fraser last week.

Mr. Garland reminded the EEC that Australia was an important source of its imports and a reliable supplier of raw materials including energy sources.

To-day's meeting, described by Government sources as "unprecedented" was a prelude to planned talks at ministerial level between Australia and the EEC.

Reuter

Victor to sell VTRs in Europe

By Charles Smith

TOKYO, Jan. 24.

VICTOR COMPANY of Japan intends to export video tape recorders to Europe.

It will establish a joint venture with its French distributor, Dicorop, specifically to market VTRs from April. The company will be called JVC Video France. It will be 55 per cent. owned by Victor, which plans to sell about 60,000 units a year in France and Monaco.

Victor has not yet announced plans for the U.K., West Germany or other markets but is likely to do so soon.

Sony Corporation said to-day it had no plans to enter the European market yet, although it hoped to be selling there in the spring.

The half-inch video cassette tape recorder caught on in Japan last year as the vehicle for what looks like a new consumer electronics boom.

Three Japanese companies—Sony, Victor and Matsushita—produced an estimated 750,000 sets of which about 400,000 were exported to the U.S.

The Japanese companies, whose sets retail at about Yen 250,000 each, appear to have a long lead over the rest of the world in this area. But there is intense competition—and as yet no standardisation of cassettes—between the Sony Betamax VTR system and the Victor VHS system. Matsushita holds a licence from Victor.

Steel production of industrialised nations fell 4.1% last year

BY ROY HODSON

WORLD steel production fell 0.5 per cent. last year compared with 1976, according to preliminary figures from the International Iron and Steel Institute.

The institute, which represents 29 steelmaking countries in the West, estimates world crude steel output last year was 673.1m. tonnes compared with 676.5m. tonnes in 1976.

Although steel production last year showed only a small fall during the worst trading year which steelmakers can remember, it is 5 per cent. below the record production of 1974.

The production figures do not reflect the disparities which emerged during the year between the traditional steelmaking leaders and the *newly-industrialised* nations.

The industrialised nations, including the steelmakers of *Western Europe*, North America, Japan, South Africa and Australia, suffered a 4.1 per cent. decline in production with 399.2m. tonnes compared with 416.2m. tonnes in 1976.

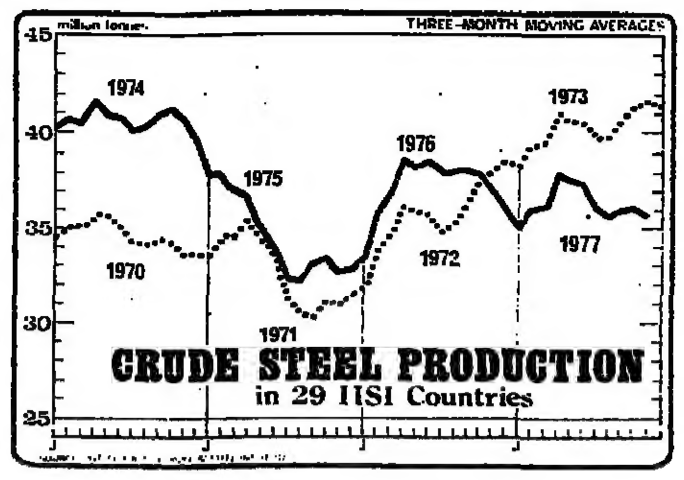
The developing countries with steel industries raised their output 11.6 per cent. to 42m. tonnes compared with 37.6m. tonnes in 1976. Brazil, South Korea and India raised production significantly and did record export business.

Production is estimated to have risen by 3.3 per cent. in the Comecon countries from 198.7m. tonnes in 1976 to 205.3m. tonnes last year. China and North Korea are both estimated to have raised their steel outputs more than 10 per cent. to a combined total of about 26.6m. tonnes.

Russia is estimated to have raised production 1.5 per cent. to 147m. tonnes.

No dramatic recovery in international steel production is expected in the next three months although there are signs in some countries that the recession has "bottomed out." The defensive measures against imports newly adopted by the U.S. and the EEC are expected to help producers in those areas increase sales.

All eyes will be on the developing nation steel producers this year to see if they can repeat their production increases of last year.



LEADING PRODUCERS (metric tons m.)

	1977 Preliminary	1976	1973
U.S.S.R.	147.0	144.8	131.5
U.S.	113.1	116.3	136.5
Japan	102.4	107.4	119.3
W. Germany	39.0	42.4	49.5
China	23.4	21.0	26.0
Italy	23.3	23.5	21.0
France	22.1	23.2	25.3
U.K.	20.4	22.5	26.7
Poland	18.0	15.3	14.1
Czechoslovakia	15.0	14.7	13.2
Canada	13.7	13.2	13.4

Community attacked

BY CHRIS SHERWELL

MR. SHRIDATH RAMPHAL, the Commonwealth Secretary General, launched a strong attack on Monday night on the record of the rich countries, and especially of the EEC, in the series of talks on international trade and development known broadly as the North-South dialogue.

He told a meeting of the European Atlantic Group in London the poor countries saw the rich as having used four years of talks to secure the "commanding heights of the world's economy through recycling OPEC surpluses."

Now they seemed to be dictating "the parameters of future, more *limited, consultations* fashioned to preserve the status quo."

Mr. Ramphal described as "positively dangerous" the outcome of these talks — the Conference on International Economic Cooperation in Paris, UNCTAD IV, multi-lateral trade negotiations, individual commodity agreements, and talks on a Common Fund.

The dangers assumed a special significance in relation to the EEC. Poor countries saw the positions taken by the Community in negotiations as having been settled "at the lowest level of response."

If rich countries took their cue from an EEC position based on its least accommodating member, there was no hope that the dialogue would ever lead to decisions or action.

Europe would look like a "bastion of reaction," lacking the outward-looking philosophy it upheld.

First Soviet ammonia supplies arrive in U.S.

BY KEVIN DONE

THE FIRST supplies of ammonia from the Soviet Union to the U.S. have begun to flow as part of the massive 20-year trade agreement between Occidental Petroleum and the Russian Ministry of Foreign Trade—the biggest deal ever concluded between a government and a private company.

Under the terms of the $20bn. (£10.5bn.) *fertiliser* deal, which was first signed in 1973, Occidental will supply to the USSR huge quantities of super*phosphoric acid from its plants in* Florida. In exchange under a barter deal it will receive equivalent values of *ammonia*, urea and potash from the USSR. The quantities to be exchanged will be *determined* by world price levels.

Under the agreement the USSR has ben constructing a new fertiliser complex at Kuybyshev, a large city in the Urals located on the Volga River close to major gas fields. The complex of ten plants, was projected to have a total annual capacity of about 4m. tonnes of liquid ammonia and 1m. tonnes of urea.

Under the contract Occidental will supply about 1m. tons of superphosphoric acid annually to the USSR for 20 years beginning later this year.

In exchange it will buy from the USSR about 2.1m. tonnes of ammonia annually for a ten-year period from 1978, about 1.5m. tonnes of ammonia for the next ten years and 1m. tonnes of urea and 1m. tonnes of potash each year.

● Albright and Wilson is to spend $3.15m. at its new Louisiana, south-central U.S. sodium chlorate plant to increase initial production capacity by 25 per cent. to 25,000 tons per annum by year-end, and to instal crystallisation facilities to provide sodium chlorate in both solid and liquid form. Planned ultimate capacity of the new $16.5m. plant is 50,000 tonnes a year—marking the U.K. company's return to the production of industrial chemicals in the U.S. after an absence of 20 years.

Peak French car output

BY ROBERT MAUTHNER

PARIS, Jan. 24.

FRENCH PASSENGER car production reached an all-time record of 3,092,439 in 1977, a rise of 3.8 per cent. over 1976, according to the latest figures published by the French Motor Manufacturers Association.

Exports, at 1,621,077, were also up by 7.8 per cent. compared with the previous year, while registrations increased by 2.6 per cent. to 1,906,955.

The picture was considerably less bright for the commercial vehicle sector. Though exports of lorries and vans up to 6 tonnes rose by 3.4 per cent. to 126,793 and registrations increased by [illegible] per cent. to 252,846, thanks largely to a recovery of the market in December, production over the year as a whole fell by [illegible]9 per cent. to 366,763.

But it was the heavy truck sector, comprising vehicles of more than 6 tonnes and including tractors and buses, which suffered most. Production last year fell by as much as 8 per cent. to 48,679 and registrations fell back by 4.4 per cent. to [illegible]4,527. Only exports rose—by a modest 2.2 per cent. to 21,608.

Peugeot-Citroen, with a combined passenger car production of 1,343,389, took first place in the league of French manufacturers, beating the State-owned Renault company with 1,259,038 by a short head. It was also the biggest exporter with 686,569 passenger cars sold abroad compared with Renault's 634,794. But the nationalised company can fairly claim to have been the biggest exporter if vehicles of all categories are included in the statistics.

● Japanese vehicle production rose to a record level last year backed mainly by exports, which were estimated to have increased by about 17 per cent. over 1976. The Jacar Automobile Manufacturers Association said 8,514,522 cars were produced in 1977, an increase of nearly 9 per cent. over the previous year. While domestic sales totalled just over 4m., including 41,602 imported cars, exports were estimated at 4.35m., way above the previous record of 3.71m. established in 1976, it said.

British shippers start U.S. talks

BY DAVID BELL

WASHINGTON, Jan. 24.

A TEAM of British shipping executives has started four days of talks here to underline British concern about developments in world shipping and to exchange views with the Carter Administration.

Mr. A. B. Marshall, managing director of P & O, told a Press conference the talks were concentrated on four main areas: the threat posed to Western shipping lines by the enormous expansion of the Comecon merchant fleet, world shipbuilding overcapacity, the threat of protectionism and the dangers of a "unilateral approach" to any problems like polution.

Copies of this document have been delivered to the Registrar of Companies for registration, each copy having attached to it a copy of the consents mentioned and contracts listed below and of the statements setting out the adjustments made by the Company's auditors for the purposes of their report and giving the reasons for them.

This document contains particulars given in compliance with the regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to Geers Gross Limited ("the Company"). The directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Application has been made to the Council of The Stock Exchange for the whole of the share capital of the Company issued and to be issued to be admitted to the Official List.

Geers Gross Limited

Incorporated under the Companies Acts 1948 to 1967. Registered in England No. 965226

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£650,000	in 6,500,000 ordinary shares of 10p each	£535,172

At the close of business on 30th December, 1977 the Company and its present subsidiaries ("the Group") had outstanding a secured bank overdraft of Sw.F.50,000 (£13,000), an unsecured bank overdraft amounting to £88,816, hire purchase commitments of £40,662 and has since conditionally arranged loans of $2,900,000 (£1·51m) and £700,000 in connection with the acquisition of Richard K. Manoff, Inc. ("Manoff"). Apart from the foregoing and inter-company indebtedness and guarantees, neither the Company nor any of its subsidiaries had outstanding at 30th December, 1977 any borrowings or indebtedness in the nature of borrowing, including loan capital, bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Sw.F. and U.S.$ referred to above have been converted at Sw.F.3·81 = £1 and $1·92 = £1, being the approximate rates of exchange ruling on 30th December, 1977. Unless otherwise stated, U.S.$ have been converted into sterling at the rate of $1·95 = £1.

THIS DOCUMENT IS ISSUED IN CONNECTION WITH THE ISSUE OF

2,750,000 ordinary shares of 10p each at 41½p per share

OF WHICH 1,328,600 ORDINARY SHARES ARE THE SUBJECT OF A PLACING ARRANGED BY

Sheppards and Chase

The ordinary shares of the Company issued and to be issued rank *pari passu* in all respects except only that the 2,750,000 ordinary shares ("the new shares") now being issued will not rank for any dividend in respect of the Company's financial year ended 31st December, 1977.

The issue of the new shares is subject to the acquisition of Manoff becoming unconditional and to the admission to listing by the Council of The Stock Exchange of the whole of the share capital of the Company issued and to be issued. This document is prepared on the basis that, where the context permits, the Company has completed the acquisition of Manoff, which is expected to take place on 31st January, 1978.

DIRECTORS

ROBERT GROSS (U.S.A.), *Chairman*, 20 Ormonde Gate, London, SW3.

ROBERT EUGENE GEERS (U.S.A.), 24A Gunter Grove, London, SW10.

ROBERT WENTWORTH PETHICK, Newark House, 9 The Vineyard, Richmond, Surrey.

ROY EDWARD LANGRIDGE, 11A Guessens Road, Welwyn Garden City, Hertfordshire.

TIMOTHY CHARLES ROLLO MYERS, 'High Rising', Croft Road, Goring-on-Thames, Oxfordshire.

SECRETARY AND REGISTERED OFFICE
PHILIP MAURICE ENOCH, *Solicitor*, A.T.I.I., 7 Soho Street, Soho Square, London, W1V 6QU.

AUDITORS
GRIFFIN STONE, MOSCROP & CO., Chartered Accountants, 21 Manchester Square, London, W1M 5AP.

BANKERS
BARCLAYS BANK LIMITED, 27 Regent Street, London, SW1Y 4UB
MANUFACTURERS HANOVER TRUST COMPANY, 88 Brook Street, London, W1A 4NF.
JAMES FINLAY CORPORATION LIMITED, Finlay House, 10-14 West Nile Street, Glasgow, G1 2PP.

REPORTING ACCOUNTANTS ON MANOFF
ARTHUR ANDERSEN & CO., Certified Public Accountants, 1345 Avenue of the Americas, New York, N.Y. 10019, U.S.A.

BROKERS
SHEPPARDS AND CHASE, Clements House, Gresham Street, London, EC2V 7AU and The Stock Exchange.

SOLICITORS TO THE COMPANY
FRANKS, CHARLESLY & CO., 21 Ely Place, London, EC1N 6TE.

SOLICITORS TO THE ISSUE
CLIFFORD-TURNER, Blackfriars House, 19 New Bridge Street, London, EC4V 6BY.

REGISTRARS
THE GENERAL AGENCY & TRUST LIMITED, Granby House, 95 Southwark Street, London, SE1 0JA.

INTRODUCTION

It was announced on 6th January, 1978 that the Company had conditionally agreed to acquire with effect from 1st December, 1977 the whole of the common stock of Manoff for $3,500,000. In view of the size of this transaction the directors of the Company requested the Council of The Stock Exchange temporarily to suspend the listing of its ordinary shares on 22nd December, 1977. A circular explaining the transaction and the method of financing the acquisition was sent to shareholders on 6th January, 1978 and approval of the transaction and of the increase in the Company's authorised share capital was obtained at an Extraordinary General Meeting on 24th January, 1978. Full details of the method of funding the net cost of $2,900,000 for the acquisition of Manoff, which include the issue of 2,750,000 new shares at 41½p each, are set out below under the heading "Further Information on Manoff".

The effect of the acquisition and the financing arrangements on the Company is set out below in the *pro forma* statement of combined net assets which is based on the audited accounts of Manoff at 31st August, 1977 and the adjusted audited accounts of the Company at 30th September, 1977.

HISTORY AND BUSINESS

Geers Gross

The Company was incorporated as a private company on 31st October, 1969 and on 6th November, 1969 it acquired the whole of the issued share capital of Geers Gross Advertising Limited ("GGA"), incorporated on 30th September, 1964 to carry on business as an advertising consultancy founded by Mr. R. E. Geers and Mr. R. Gross. In November, 1969, 40 per cent. of the Company's then issued share capital was offered for sale to the public and the whole of its share capital was listed on The Stock Exchange. The Company now acts as a holding company for GGA which carries on the original advertising business, for Browne's Advertising Limited ("Browne's"), acquired in 1974 and through Geers Gross Inc. ("GGI"), for Manoff.

GGA still retains its first major account, Homepride Flour (Spillers Limited) obtained in 1965. Over the last 12 years, GGA has followed a policy of acting for large established clients, particularly those involved in the manufacture and distribution of consumer products, where advertising plays a major role. Over the years, while there has been a steady growth in the client list, existing clients have also increased the number of brands handled. Details of clients and brands are listed below.

The original advertising agency business now carried on by Browne's was founded in 1972. Since its acquisition in 1974, its business has been rationalised to follow the policy adopted by the Group, although the majority of its business is concerned with newspaper advertising whilst GGA is mainly concerned with television advertising.

No single client accounts for more than 15 per cent. of Group turnover.

Manoff

The business now carried on by Manoff was founded in 1956 by Mr. Richard K. Manoff and is well known within the United States advertising community for effective marketing, media and creative service.

Like GGA, Manoff concentrates on the advertising of package goods and other consumer products and has a high percentage of billings through television. It has a short but high quality client list (see below) with a high degree of client loyalty and strong financial management. One major client, Welch Foods Inc., has been a client for 21 years and several other important clients for ten years or more.

In the five years ended 30th November, 1977 Manoff has almost doubled its turnover to over $30m. and much of this growth has come from additional assignments from existing clients. Growth has been evenly distributed and in the year ended 30th November, 1977 no single client represented more than 17 per cent. of total turnover.

MANAGEMENT AND STAFF

Geers Gross

Mr. R. Gross, aged 47 years, who is Chairman and Managing Director, was the co-founder of the business in 1964 having previously held senior creative posts in New York and London.

Mr. R. E. Geers, aged 43 years, was the other co-founder of the business and is currently a non-executive director.

Mr. R. W. Pethick, aged 48 years, joined the Company as a director in 1973 and is in charge of Client Services for the Group, having spent all his previous working life in advertising, much of it in senior creative and management roles.

Mr. R. E. Langridge, aged 44 years, joined GGA as Head of Media Services in 1971 after a number of years with leading London agencies. He became a director of the Company in 1974.

Mr. T. C. R. Myers, aged 40 years, has been an executive with the Group since 1973 and was appointed Managing Director of Browne's in January, 1977. He became a director of the Company in July, 1977.

In both GGA and Browne's there is a highly experienced and able management and executive team. The Group has always pursued a policy of staffing predominantly with senior, experienced personnel, operating within a tightly organized structure and with good lines of communication. There are approximately 85 full-time employees and turnover among key staff is low.

Manoff

Mr. Richard K. Manoff is 61 years old and prior to 1956 held senior executive positions with a major United States advertising agency as well as with a major food marketing company. He is Chairman and Chief Executive Officer and will, on completion of the acquisition of Manoff, enter into an employment agreement as such with Manoff at an annual salary of $300,000 for seven years with a further period of eight years as Chairman at $112,500 per annum. Further details of the employment agreement for Mr. R. K. Manoff are set out under "Statutory and General Information" below.

Mr. E. L. Wax is 40 years old and as President and Chief Operating Officer is responsible for the day to day running of the business. He joined Manoff in August, 1977 having previously spent 14 years with one of the world's largest advertising agencies.

Mr. J. H. Lashenick, aged 62 years, is Executive Vice-President and Treasurer and has been with Manoff for more than 15 years.

Mr. I. Warren, aged 38 years, is Creative Director and a Vice-President and has been with Manoff for nearly two years, having spent his working life with other leading advertising agencies.

Mr. S. Piscoukos, aged 41 years, is an Executive Vice-President in charge of Account Services and has been with Manoff for over 11 years.

At or before completion Mr. J. H. Lashenick will enter into an employment agreement with Manoff as from 1st February, 1978, terminable on 31st December, 1987 and Mr. E. L. Wax, Mr. I. Warren and Mr. S. Piscoukos will enter into five year employment agreements with Manoff. None of these employment agreements will provide for options or similar rights to purchase stock of Manoff and the existing share purchase agreements and share option plan will be cancelled.

Manoff employs approximately 100 people and in addition to those mentioned above, has six senior Vice-Presidents. Turnover of executive staff has been consistently lower than the industry average.

The Board of Manoff will consist of Mr. R. K. Manoff, Mr. R. Gross, Mr. E. L. Wax, Mr. J. H. Lashenick, Mr. M. A. Berdon and Mr. R. W. Pethick. The Board of GGI will consist of Mr. R. Gross, Mr. M. A. Berdon and Mr. S. L. Highleyman. Mr. M. A. Berdon is a partner of Ferro, Berdon & Company, Certified Public Accountants and is the Company's U.S. financial adviser. Mr. S. L. Highleyman is a partner of the Company's U.S. attorneys, Coudert Brothers.

PREMISES

The Company and GGA operate from modern leasehold premises at 7 Soho Street, London, W1V 6QU of some 7,500 square feet and at the adjoining building, 3/5 Soho Street, of some 8,100 square feet at exclusive annual rentals of £51,500 and £57,500 respectively under leases expiring in 2008 with rent reviews every five years from 25th March 1978. Browne's operates from premises at 117 Piccadilly, London, W1 of approximately 11,000 square feet at an exclusive annual rental of £56,500 under a lease expiring in 1988 without rent review. Part of the premises at 3/5 Soho Street and at 117 Piccadilly are sub-let producing rents receivable of approximately £100,000 per annum. The Group also has a lease until 1980 of 1,350 square feet at 9/11 Richmond Buildings, Dean Street, London, W1 all of which is sub-let at a profit rental of £6,500 per annum without rent review. The offices at 7 Soho Street are equipped to a high standard and include a modern cinema for audio and visual presentations to clients.

Manoff operates from modern leasehold offices of some 26,000 square feet at 845 Third Avenue, New York, at an annual rental, including an allowance for escalation costs of $240,000 under a lease terminating on 31st August, 1983 and has executed a lease for some additional 1,600 square feet at the same address at an annual rental of $16,500 with an effective date commencing when that space has been "substantially completed" and a termination date of 31st August, 1983.

PROFIT RECORD

Geers Gross

The adjusted audited consolidated profit and loss accounts and balance sheets of the Company for the five years and nine months ended 30th September, 1977 are set out in the Accountants Report on the Company below.

In each of the five years ended 31st December, 1976 turnover has increased with the expansion of the business handled by the Group. The large increase in turnover in 1975 reflects the inclusion of Browne's for a full year. Group profits before taxation have also increased each year except in 1974 when overheads increased as a result of its move to its present premises in November, 1973.

Manoff

The profit and loss accounts and balance sheets of Manoff for the five years and nine months ended 31st August, 1977 are set out in the Accountants Report on Manoff below.

During the five years ended 30th November, 1976 the profits before taxation expanded in each year except for the year ended 30th November, 1974 when income was mainly affected by a reduction in advertising expenditure by clients as a result of the general downturn in the United States economy. The expansion in commission and fee income over the period arose from increased expenditure by existing clients largely from introducing new products, from new clients and from increases in media rates. During this period no client was lost which represented more than 10 per cent. of total turnover.

The results of Manoff for the nine months ended 31st August, 1977 reflect the seasonal nature of the advertising expenditure of some of its most substantial clients which tends to be concentrated in the last quarter of its financial year, which is also the case for Geers Gross.

PROFIT ESTIMATE FOR 1977

Geers Gross

Turnover for the year ended 31st December, 1977 is expected to amount to £8,300,000 (1976: £8,619,000), the difference being principally due to the sale of Browne's Recruitment Division, which was sold with effect from 1st January, 1977.

On the bases and assumptions set out below, the directors estimate that, in the absence of unforeseen circumstances, profits before taxation for the year ended 31st December, 1977 will amount to not less than £280,000, which compares with £275,000 in the previous year.

The directors intend to recommend a final dividend of 1·71036p per share, the maximum permissible under current legislation, payable in July, 1978, making a total for the year ended 31st December, 1977 of 2·52536p per share payable on the issued share capital other than the new shares.

Manoff

On the basis of the audited results of Manoff for the nine months ended 31st August, 1977 and of the estimated results for the three months ended 30th November, 1977, the directors of Manoff estimate that commission and fee income will amount to $4,700,000 and that the profit before profit sharing, staff bonus and taxation of Manoff will amount to not less than $1,121,000 (£575,000) as compared with $1,177,000 (£604,000) for the previous year. Although commission and fee income increased by 15 per cent. during 1977, this was absorbed by extra payroll costs arising from salary increases and from additional staff taken on to handle the extra turnover estimated for 1978.

GROUP CLIENTS

UNITED KINGDOM

Geers Gross

Antony Gibbs — Financial Services

Baxters Foods — Soups; Preserves; Relishes; New Product Development

Bristol-Myers — Mum Deodorants; Alpha Keri Skin Products; Angiers Junior Medicines; New Product Development

British Printing — Partwork Publications

Cadbury Schweppes — Ty-phoo Tea; Chivers Jellies; Ice Pops; Chocolate Fingers; Chocolate Animals; Cadbury's Gingermen; New Product Development

English Butter Marketing — Country Life Butter

Scottish and Newcastle — Mackinlay's Whisky; Geisweiler Wines; Windjammer Rum; Dow's Port; Isle of Jura Malt Whisky; Piper Heidsieck Champagne

Spillers — Kennomeat; Homepride Flour; Harvest Gold Flour; Homepride Cook & Cook; Homepride Soya Menu; Tyne Brand Meat Products; New Product Development

United Biscuits — K.P. Nuts; K.P. Crisps; New Product Development

W. D. & H. O. Wills — Embassy American Cigarettes; Embassy Slim Panatellas; President Cigarettes; New Product Development

Wimpy International — Fast Food Chain

Browne's

Anderson Strathclyde — Engineering
Blackwood Hodge — Earthmoving Equipment
Booker McConnell — Health Foods
Copydex — Adhesives
Creda — Electrical Appliances
Courtaulds — Textiles
East Midlands Electricity Board — Public Utility
Ellerman Lines — Beer
Edmund Nuttall — Engineering
Guest Keen & Nettlefold — Engineering
IPC Magazines — Publishing
Lombard North Central — Banking
Management Dynamics — Computer Service
National Magazines — Publishing
Nicholas Laboratories — Toiletries
North Eastern Electricity Board — Public Utility
Pearl Assurance — Life Assurance
Pitstop — Automotive Repair
Powell Duffryn — Freight Transport
Russell Hobbs — Kettles and Toasters
J. W. Spear — Games
Sunhouse — Electrical Fires
Swel Foods — Packaged Soups
Tintawn — Carpets

UNITED STATES

Manoff

American Cyanamid Company — JOHN H. BRECK, INC.; Breck Clean Rinse; Miss Breck Lasting Hold Hair Spray; Breck Shampoo-In Hair Color

Brown-Forman Distillers Corporation — THE JOS. GARNEAU CO.; Ambassador Scotch Whisky; Bolla, Cella and Cruse Wines; Martell Cognacs; Noilly Prat Vermouths

Bumble Bee Seafoods — DIVISION OF CASTLE & COOKE, INC.; Bumble Bee Tuna and Salmon; Coral Tuna

Cargill Incorporated — Paramount Broilers; Honeysuckle White Turkeys

Fuji Photo Film U.S.A., Inc. — All amateur still film products; Still cameras and accessories; Colour paper

Kraft Inc. — DAIRY GROUP; Breakstone Cottage Cheese and Sour Cream; Breakstone Salad Dressing; Temp-Tee Whipped Cream Cheese

Luden's Incorporated — Cough Drops, Fifth Avenue and other candy bars

National Broadcasting Co. — NBC Radio Division; WNBC

National Car Rental System, Inc. — Car Rental Division

SCM Corporation — ALLIED PAPER DIVISION; SCM Business Equipment; CONSUMER PRODUCTS DIVISION; Proctor-Silex Household Appliances; Smith-Corona Typewriters

Welch Foods Inc. — Welch's Grape Juices, Tomato Juice and Fruit Drinks; Welch's Jams, Jellies and Preserves; Welch's Sparkling Sodas; Welch's Frozen Doughnuts

Public Service Clients — U.S. GOVERNMENT: Department of State (A.I.D.); Food & Drug Administration; ADVERTISING COUNCIL: Population Campaign

PROFIT AND DIVIDEND FORECASTS

During 1977, the Group obtained an encouraging flow of new business. New clients included Booker McConnell Health Foods, Blackwood Hodge, an assignment from Ellerman Lines Brewing Division and the fast food chain, Wimpy International. There were also major new products from existing clients, including Soya Menu and Tyne Brand Products from Spillers, Gingerman Biscuits from Cadbury Schweppes, Dow's Port and Piper Heidsieck Champagne from Scottish and Newcastle, President Cigarettes from Wills and KP Crisps from United Biscuits.

As a result, the directors forecast that, in the absence of unforeseen circumstances and on the basis of the assumptions set out below, turnover will rise to £9,800,000 from £8,300,000 estimated for 1977, and that profits before taxation of the Group as at present constituted for the year ending 31st December, 1978 will amount to not less than £350,000.

Manoff's accounting period will be extended to coincide with the accounting date of the Company and GGI.

On the basis of the assumptions set out below, the directors of Manoff forecast that in the absence of unforeseen circumstances, profit before management bonus, employee profit sharing and taxation for the thirteen months ending 31st December, 1978 will amount to not less than $1,600,000, of which $900,000 (£462,000) will be attributable to the Company. This improved performance reflects the substantial increases in advertising expenditure projected by several major clients for 1978.

On the basis of these profit forecasts of the Company and of Manoff and after allowing for the estimated interest cost of the sterling and eurodollar loans of £89,000 referred to below and additional directors' commission arising in connection with the expansion of the Group, the directors forecast that the profits before taxation for the year ending 31st December, 1978 will amount to not less than £685,000.

On this basis and assuming an effective U.K. corporation tax rate of 58 per cent. the directors intend to recommend dividends totalling 3p per share on the increased capital payable as to 1½p in November, 1978 and as to the balance in July, 1979. The allocation of such profits before taxation would be as follows, assuming no change in the current rate of associated tax credit:—

	£000	£000
Group profit before taxation		685
Less: Corporation Tax	170	
Foreign Tax	217	
		387
Profit after tax attributable to shareholders		298
Cost of annual dividends totalling 3p per share on 5,351,716 ordinary shares..		161
Retained earnings		137
Earnings per share on weighted average of 5,122,549 ordinary shares		5·82p

At the issue price of 41½p per share the price earnings multiple would be 7·1 based on earnings per share of 5·82p shown above. The net dividend of 3p per share would be covered 1·85 times by profit after taxation and together with the associated tax credit of 34/66ths would result in a gross dividend yield of 10·95 per cent. at the issue price.

PROSPECTS

The acquisition of Manoff represents one of the largest expansionary moves ever made by a British advertising agency into the United States. It provides the Group with a major foothold in the world's largest advertising market through a highly reputable, progressive and successful agency. It will enable the Group to offer an enhanced service to a number of its United Kingdom clients who are actively seeking or already developing United States markets and will open up major new sources of business for Manoff by enabling it to service United States clients with United Kingdom interests. The continuing opportunities to exchange top level advertising and management experience and expertise will provide an important impetus to the efficiency, growth and profitability of the enlarged Group.

ACCOUNTANTS REPORT ON THE COMPANY

The following is a copy of a report received from Griffin Stone, Moscrop & Co., the auditors of the Company:—

24th January, 1978

The Directors,
Geers Gross Limited.

Gentlemen,

We have examined the audited accounts of your Company and its subsidiaries ("the Group") for the five years and nine months ended 30th September, 1977, which have been prepared using the historical cost convention adjusted by revaluations of short leaseholds at 31st December, 1973 and 31st December, 1974. We have made such adjustments as we have considered necessary.

The accounts include the results of Thomas Browne Group Limited and its subsidiaries ("the Browne Group"), acquired with effect from 1st November, 1974.

No audited accounts have been prepared since 30th September, 1977.

Accounting policies

(a) The accounts result from the consolidation of the accounts of the Company and its subsidiaries, and are all made up to the same date as that of the Company.

(b) Ordinary advertising is included in turnover at invoice values charged to clients. In accordance with the industry's standard practice advertising fees are included in turnover at six and two-thirds times the fees in order to arrive at a notional advertising turnover on which 15 per cent. is normally earned.

(c) Group profit is calculated after charging hire purchase interest proportionate to the length of each agreement.

(d) The short leaseholds are amortised from the date of purchase or revaluation by ten equal annual instalments or over the unexpired period of the leases where less.

The equipment and vehicles have been depreciated on the straight line basis so as to write off each asset over its estimated effective useful working life.

(e) Goodwill arising on consolidation is not written off. Goodwill in subsidiary companies is written off by ten equal annual instalments from the date of purchase by the Group.

(f) Work in progress is valued at cost. Cost comprises materials, labour and overheads related to production.

(g) The Group does not provide for deferred taxation except in respect of timing differences which are likely to give rise to a tax liability in the short term in accordance with Exposure Draft 19 of the Accounting Standards Committee.

(h) Current account balances in Swiss francs have been converted into sterling at the rates prevailing at the end of the respective periods.

Profit and loss accounts

	Notes	1972	1973	1974	1975	1976	9 months ended 30.9.77
		Years ended 31st December					
		£000	£000	£000	£000	£000	£000
Turnover		2,574	3,320	3,601	6,839	8,619	6,124
Profit before taxation ..	1	184	214	145	234	275	134
Taxation	2	81	79	72	149	174	65
Profit after taxation		103	135	73	85	101	69
Extraordinary items	3	15	48	31	23	17	15
		88	87	42	62	84	54
Dividends paid or proposed..	4	48	42	47	55	59	21
Transfer to (from) reserves ..		40	45	(5)	7	25	33

Balance sheets

	Notes	1972	1973	1974	1975	1976	30.9.77
		31st December					
		£000	£000	£000	£000	£000	£000
Fixed assets	5	24	184	406	377	375	378
Goodwill and preliminary expenses	6	38	31	137	134	140	162
Associated company ..		—	—	—	4	5	4
Deferred asset— A.C.T. recoverable ..		11	19	24	19	21	—
Current assets:							
Work in progress		4	19	31	19	20	50
Investments..	7	79	—	4	4	—	—
Debtors		298	618	1,385	1,383	1,596	1,050
Cash		155	86	155	87	100	8
		607	966	2,142	2,027	2,257	1,652
Deduct: Current liabilities							
Bank overdrafts	8	—	—	—	250	62	224
Creditors		286	573	1,576	1,229	1,513	820
Taxation		141	146	88	120	224	126
Dividends		25	26	47	36	40	21
		452	745	1,711	1,635	1,839	1,191
		155	221	431	392	418	461
Deduct: Deferred liabilities							
Deferred consideration ..	9	—	—	40	—	—	—
Deferred taxation	10	—	—	—	—	—	15
		—	—	40	—	—	15
		155	221	391	392	418	446
Represented by							
Share capital	11	100	110	129	130	260	260
Reserves	12	55	111	248	257	153	186
Minority interests		—	—	14	5	5	—
		155	221	391	392	418	446

Notes

	1972	1973	1974	1975	1976	9 months ended 30.9.77
	Years ended 31st December					
	£000	£000	£000	£000	£000	£000
1. Profit before taxation is shown after charging:						
Directors' remuneration ..	61	71	68	76	79	42
Auditors' remuneration ..	1	2	2	10	5	2
Hire of equipment ..	1	1	3	11	9	5
Unquoted investment written off	—	—	—	—	4	—
Depreciation and amortisation	9	13	35	60	71	57
	72	87	108	157	168	106
2. Taxation: Based on profit for the periods						
Corporation tax	81	79	72	149	174	50
Deferred taxation	—	—	—	—	—	15
	81	79	72	149	174	65

3. Extraordinary items:

	1972	1973	1974	1975	1976	9 months ended 30.9.77
	Years ended 31st December					
	£000	£000	£000	£000	£000	£000
Goodwill and preliminary expenses written off	15	7	1	7	7	5
Provision on quoted investments ..	—	41	—	—	—	—
Reorganisation expenses (compensation to former executives) less taxation relief	—	—	30	16	10	10
	15	48	31	23	17	15

4. Dividends:

Dividends in respect of all periods are net of the related tax credits with the exception of a gross dividend of £23,000 in the year ended 31st December, 1972.

The dividend shown of £21,000 in respect of the nine months ended 30th September, 1977 represents the interim dividend of 0·815p per share paid on 23rd December, 1977.

	1972	1973	1974	1975	1976	30.9.77
	31st December					
	£000	£000	£000	£000	£000	£000
5. Fixed assets comprise:						
Short leaseholds	2	65	220	198	176	158
Equipment and vehicles	22	119	186	179	199	220
	24	184	406	377	375	378
6. Goodwill and preliminary expenses comprise:						
Preliminary expenses	7	—	—	—	—	—
Goodwill arising on consolidation ..	31	31	70	74	74	74
Goodwill arising in subsidiary companies	—	—	67	60	53	48
Costs to date of proposed acquisition of Richard K. Manoff, Inc...	—	—	—	—	13	40
	38	31	137	134	140	162

7. Investments:

The £79,000 at 31st December, 1972 were quoted investments and the £4,000 at 31st December, 1974 and 31st December, 1975 unquoted.

8. Bank overdrafts:

Secured bank overdrafts at 31st December, 1975, 31st December, 1976 and at 30th September, 1977 amounted to £37,000, £12,000 and £43,000 respectively.

9. Deferred consideration:
The £40,000 at 31st December, 1974 represented the amount due in respect of the acquisition of the Browne Group which did not have to be paid until 1st December, 1976.

10. Deferred taxation:
Had provisions been made in respect of long-term timing differences then the provisions would have been:

	In respect of long-term timing differences	In respect of short-term timing differences	Total
	£000	£000	£000
At 31st December, 1972	3	—	3
1973	36	—	36
1974	81	—	81
1975	82	—	82
1976	81	—	81
At 30th September, 1977	79	15	94

11. Share capital:
The authorised share capital to 3rd December, 1974 was £150,000. At that date it was increased to £200,000 and it was further increased to £350,000 on 30th April, 1976.
The issued share capital consists wholly of ordinary shares of 10p each. It was increased by capitalisation issues of 1 for 10 in the year ended 31st December, 1973 and 1 for 1 in the year ended 31st December, 1976. In the years ended 31st December, 1974 and 31st December, 1975 shares were issued in connection with the acquisition of the Browne Group.

12. Reserves comprise:

	31st December, 1972	1973	1974	1975	1976	30.9.77
	£000	£000	£000	£000	£000	£000
Available for distribution:						
Undistributed profits brought forward	15	55	100	95	102	127
Transfer to (from) reserves	40	45	(5)	7	25	33
Undistributed profits carried forward ..	55	100	95	102	127	160
Not available for distribution:						
Brought forward	—	—	11	153	165	26
Share premium account	—	—	88	2	(90)	—
Adjustments relating to the Browne Group	—	—	59	—	—	—
Surplus (deficit) on revaluation ..	—	21	(5)	—	—	—
Capitalisation of shares	—	(10)	—	—	(39)	—
Carried forward	—	11	153	155	26	26
	55	111	248	257	153	186

The credit adjustments relating to the Browne Group arise in connection with taxation and other provisions written back after purchase.

Yours faithfully,
GRIFFIN STONE, MOSCROP & CO.

ACCOUNTANTS REPORT ON MANOFF

The following is a copy of a report received from Arthur Andersen & Co., as reporting accountants on Manoff:—

The Directors,
Geers Gross Limited.

24th January, 1978

Gentlemen,
We have examined the statements of net assets of Richard K. Manoff, Inc. ("Manoff") (incorporated in the State of New York, United States of America) at 30th November, 1972, 1973, 1974, 1975 and 1976 and at 31st August, 1977 and the related statements of profits for the periods ended on those dates. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
The accounts set out below have been prepared using the historical cost convention. The accounting policies applied by Manoff in its accounts, which were prepared for use in the United States of America, conform to generally accepted accounting principles in that country and also conform in all material respects with generally accepted accounting principles in the United Kingdom.
The accounts set out below are presented in United States dollars and are based upon the amounts in the audited accounts of Manoff which we have not considered necessary to adjust.

Summary of profits
In our opinion, the following statement presents fairly, on the historical cost basis, the profits of Manoff for the five years ended 30th November, 1976 and the nine months ended 31st August, 1977, in conformity with generally accepted accounting principles, as recognised in the United States of America, consistently applied during the periods.

	Notes	Year ended 30th November, 1972	1973	1974	1975	1976	9 months ended 31.8.77 (Note 1)
		$000	$000	$000	$000	$000	$000
Commission and fee income	2	2,388	2,826	2,681	3,122	4,146	3,032
Operating expenses		1,980	2,380	2,411	2,469	2,969	2,546
Profit before profit sharing, staff bonus and taxation		408	446	270	653	1,177	486
Profit sharing and bonus	4	168	189	109	303	477	198
Profit before taxation		240	257	161	350	700	288
Taxation	5	125	136	79	193	396	155
Net profit		115	121	82	157	304	133
Retained earnings, beginning of period ..	7	—	115	236	318	475	779
Retained earnings, end of period		115	236	318	475	779	912
Included in operating expenses are the following:							
Depreciation and amortisation	3	25	24	21	33	40	29
Interest income		(2)	(7)	(3)	(4)	(29)	(16)

Summary of net assets
In our opinion, the following statement presents fairly, on the historical cost basis, the net assets of Manoff at 30th November, 1972, 1973, 1974, 1975 and 1976 and at 31st August, 1977, in conformity with generally accepted accounting principles, as recognised in the United States of America, consistently applied during the periods.

	Notes	30th November, 1972	1973	1974	1975	1976	31.8.77
		$000	$000	$000	$000	$000	$000
Fixed assets							
Furniture and equipment		227	198	252	250	300	320
Leasehold improvements	6	78	16	38	52	52	53
		305	214	290	302	352	373
less: accumulated depreciation	3	236	145	153	147	174	203
		69	69	137	155	178	170
Net cash surrender value of life insurance of officers	10	46	52	57	80	86	—
Current assets							
Cash		356	450	601	859	617	398
Marketable securities		201	106	110	275	28	506
Debtors	1	1,719	1,750	1,153	3,044	4,615	2,542
Unbilled production costs		42	30	45	17	154	39
Due from officers and employees		18	22	19	12	39	102
Prepaid taxation		—	—	9	—	—	69
Other		19	13	8	10	22	29
		2,355	2,371	1,945	4,217	5,475	3,686
Current liabilities							
Creditors	1	1,651	1,526	1,245	3,143	3,813	2,253
Due to parent company and principal shareholder	11	64	—	—	10	37	—
Due to employees profit sharing plan ..	4	142	130	13	174	306	198
Accrued liabilities		49	103	113	164	253	55
Taxation		40	84	—	22	106	—
		1,946	1,843	1,371	3,513	4,515	2,506
Net current assets		409	528	574	704	960	1,180
Net assets		524	649	768	939	1,224	1,350
Represented by— Shareholders' investment							
Share capital	7	1	1	1	1	1	1
Share premium		408	412	449	463	444	437
Retained earnings	7	115	236	318	475	779	912
		524	649	768	939	1,224	1,350

Notes

1. Results for nine months ended 31st August, 1977
The commission and fee income and profit for the nine months ended 31st August, 1977 may not necessarily represent three quarters of the income and profit generated in a full year owing to the seasonal nature of the advertising business. In 1976 commission and fee income and profit before profit sharing, staff bonus and taxation for the nine months ended 31st August, 1976, based on unaudited management accounts, were $2,743,000 and $610,000 respectively, whilst for the year ended 30th November, 1976 they were $4,146,000 and $1,177,000 respectively. The seasonal nature of the business should also be considered in comparing debtors and creditors at 30th November, 1976 and 31st August, 1977.

2. Recognition of commission and fee income
Substantially all income is derived from commissions and fees relating to the production and placement of advertisements in various media. Commission income is recognised in the month of presentation. Fee income is recognised over the term of each agreement.

3. Depreciation and amortisation
Depreciation of furniture and equipment is provided under either the double-declining balance method over an estimated useful life of ten years or the straight-line method with estimated useful lives of three and five years. Leasehold improvements are amortised over the period of the lease.

4. Profit sharing and bonus plans
Manoff has a non-contributory trusteed profit sharing plan covering substantially all of its employees. Benefits are payable, to the extent vested, upon termination of employment or retirement. At 31st August, 1977, the assets of the plan exceeded the vested benefits.
In accordance with the terms of the plan, Manoff charged to expense $142,000, $130,000, $13,000, $174,000 and $306,000 respectively in the five years ended 30th November, 1976. Effective 1st December, 1976, Manoff amended certain provisions of the plan giving the Board of Directors of Manoff sole discretion in determining future contributions to the plan.
In addition to the profit sharing plan, Manoff has a discretionary bonus plan for which the approval of the Board of Directors is also required. Bonuses approved for the five years ended 30th November, 1976 were respectively $26,000, $59,000, $96,000, $129,000 and $171,000.
A provision of $198,300 has been made against profit for the nine months ended 31st August, 1977 representing management's best estimate of the profit sharing and bonus plan contributions that will be paid based on the profits for the period. This amount is subject to the approval of the Board of Directors and is presently shown in the summary of net assets under the heading of "Due to employees profit sharing plan".

5. Taxation
The United States federal rate of tax on the profits of companies is 48 per cent. A reconciliation of the taxation charge shown in the profits statement to the federal rate is as follows:

	Years ended 30th November, 1972	1973	1974	1975	1976	9 months ended 31.8.77
	$000	$000	$000	$000	$000	$000
Taxation charge at federal rate of 48 per cent. ..	98	106	64	139	270	109
Surtax exemption	(6)	(6)	(6)	(7)	(7)	(11)
Amortisation of investment tax credit	(4)	(1)	(8)	(5)	(5)	(2)
State and local taxes	35	36	28	71	138	60
Other, net	2	1	1	(5)	—	(1)
Taxation charge per profits statement	125	136	79	193	396	155

The statutory rate of surtax exemption was $6,500 until 1975 when it became $13,500. In 1975 and 1976 this exemption was split 50 : 50 with the parent company, Manoff International Inc. In 1977 80 per cent. of the exemption will be claimed by Manoff.
State and local tax rates have approximated 20 per cent. of profit before tax since 1975, lower rates applying in the earlier years. Such state and local taxes are allowable as a deduction in computing profits for federal tax purposes.

6. Lease commitments
Manoff's lease arrangements for office space provide for minimum annual rental payments, including an allowance for escalation, approximating $240,000 to 1983.

7. Shareholders' investment
Manoff was formed in 1971 and on 1st December, 1971 took over the trade and net assets of the advertising agency business of Manoff International, Inc. (formerly known as Richard K. Manoff, Inc.). The authorised capital of Manoff is 100,000 shares of $0·01 each; 72,401 shares were in issue at 31st August, 1977.

8. Share purchase agreements
Under certain agreements, 16,530 shares have been purchased by employees. The agreements restrict the employees' rights to sell or dispose of these shares and give Manoff the right of first refusal to repurchase the shares at a price equal to the lower of the net book value of the shares as of the prior 30th November and the month end preceding the repurchase.
On 22nd August, 1977 Manoff and a former employee came to an agreement that Manoff would purchase all of his shares for an amount equal to the net book value as at 30th November, 1977. At the time of the above agreement this former employee owned 4,832 shares.

9. Share option plan
Manoff operates a share option plan under which options are granted to employees for the purchase of shares. Such options usually run for four years from date of grant and are exercisable in equal instalments. Lapsed options may be available for regranting to other employees. At 31st August, 1977, the Company had outstanding options granted for the purchase of 5,750 shares at an option price of $14·55 per share, of which 1,250 are exercisable currently. At the same date a further 700 options were available for further grant.

10. Cash surrender value of life insurance of officers
The insurance policy was surrendered by Manoff for $86,314 in the nine months ended 31st August, 1977.

11. Parent company and principal shareholder
Except for the shares owned by employees, Manoff is owned by Manoff International, Inc., a company owned and controlled by Mr Richard K. Manoff.

12. Dividends
Manoff has not paid any dividends during the period of five years and nine months ended 31st August 1977.

13. Audited accounts
No audited accounts have been prepared since 31st August, 1977.

Yours faithfully
ARTHUR ANDERSEN & CO.

New York, N.Y., U.S.A.

PRO FORMA COMBINED NET ASSETS STATEMENT

Pro forma consolidation of Manoff with GGI (in dollars)

	GGI	Manoff at 31.8.77	Adjustments	GGI Consolidated
	$000	$000	$000	$000
Fixed assets	—	170	—	170
Investment in Manoff	2,900	—	(2,900) (a)	—
Goodwill	—	—	2,150 (a)	2,150
Current assets				
Work in progress	—	39	—	39
Debtors	—	2,673	—	2,673
Cash and marketable securities ..	—	905	(600) (b)	305
	2,900	3,787	(1,350)	5,337
Current liabilities				
Creditors	—	2,506	—	2,506
Taxation	—	(69)	—	(69)
	—	2,437	—	2,437
	2,900	1,350	(1,350)	2,900
Notes payable to Geers Gross	2,500	—	—	2,500
Net assets	400	1,350	(1,350)	400

Pro forma consolidation of GGI with Geers Gross (in sterling)

	GGI Consolidated	Geers Gross at 30.9.77	Adjustments	Group
	£000	£000	£000	£000
Fixed assets	87	378	—	465
Goodwill	1,103	162	254 (c)	1,519
Associated Company	—	4		4
Deposit with the Bank	—	—	1,561 (c)	1,561
Current assets				
Work in progress	20	50	—	70
Debtors	1,371	1,050	—	2,421
Bank balances	156	8	—	164
	2,737	1,652	1,815	6,204
Current liabilities				
Bank overdrafts	—	224	(26) (c)	198
Creditors	1,255	820	—	2,105
Taxation	(35)	126	—	91
Dividend	—	21	—	21
	1,250	1,191	(26)	2,415
	1,487	461	1,841	3,789
Deferred liabilities				
Notes in GGI	1,282	—	(1,282)	—
Deferred taxation	—	15	—	15
Loans from the Bank	—	—	2,187 (c)	2,187
	1,282	15	905	2,202
Net assets	205	446	936 (d)	1,587

Notes

(a) Goodwill in GGI comprises:

		$000
Cost of investment ($3,500,000 less $600,000)		2,900
Deduct: Assets acquired ($1,350,000 less $600,000)		750
		2,150

(b) Assets transferred to vendors in part settlement of the purchase price.
(c) The proceeds of the share issue and the borrowings will be applied as follows:

	£000	£000
Proceeds of the issue		1,141
Loans from the Bank:		
Dollars ($2,900,000)	1,487	
Sterling (£700,000)	700	
		2,187
		3,328
Deduct:		
Cost of investment ($2,900,000)	1,487	
Expenses of acquisition, capitalised	254	
	1,741	
Sterling deposit with the Bank	1,561	
		3,302
Applied to reduce overdrafts		26

(d) The adjustment to net assets represents:

	£000
Proceeds of share issue	1,141
Deduct: Elimination on consolidation of net assets of GGI	205
	936

PROFIT ESTIMATES AND FORECASTS

MANOFF
Year ended 30th November, 1977
The profit estimate for the financial year ended 30th November, 1977 referred to above is based on actual results for the nine months ended 31st August, 1977 as shown in the audited accounts plus estimated results for the three months ended 30th November, 1977 taken from unaudited accounting records. This estimate assumes that the same accounting policies are adopted as were used for the nine months ended 31st August, 1977.

Thirteen months ending 31st December, 1978
The profit forecast for the thirteen months ending 31st December, 1978 referred to above has been prepared on the following assumptions:—

1. The results for the one month ended 31st December, 1977 have been based upon unaudited accounting information available at 15th December, 1977.
2. The results for the twelve months ending 31st December, 1978 have been forecast on the following bases:—
   (a) Manoff will not suffer the loss of any significant existing client in 1978.
   (b) Commission and fee income has been forecast individually for existing clients on the basis of management's knowledge of each client, industry conditions and current opinions as to future client intentions. There is no written documentation from the clients available to support the forecast levels of income.
   (c) Manoff's three largest clients are expected to account for approximately 50 per cent. of commission and fee income; the expected increase in commission from these three clients in 1978 amounts to approximately 30 per cent. of forecast commission and fee income of these clients.
   (d) Commission and fee income to be earned from new clients is forecast at $150,000.
   (e) Payroll expenses are expected to account for 63 per cent. of total operating costs and have been forecast on the basis of salaries prevailing in November, 1977 plus an allowance for the effect of known changes to salary levels and inflation. Other operating expenses, primarily establishment, travel and entertainment, have been forecast to continue at similar proportionate levels to payroll costs as in prior years.
   (f) A provision of approximately $250,000 has been included in operating costs to cover contingencies.
   (g) The size and operations of Manoff will not be materially influenced by changes in the United States economy, government action or the proposed acquisition by Geers Gross.
   (h) The accounting policies used in preparing the forecast are consistent with the accounting policies used in the audited accounts for the five years ended 30th November, 1976 and the nine months ended 31st August, 1977.

Letter
The following is a copy of a letter received by the directors from Arthur Andersen & Co. relating to the estimate and forecast of Manoff referred to above.

1345 Avenue of the Americas
New York, N.Y.
10019, U.S.A.

The Board of Directors,
Geers Gross Limited.

24th January, 1978

Gentlemen,
The profit estimate of Richard K. Manoff, Inc. for the year ended 30th November, 1977 and the profit forecast for the thirteen months ending 31st December, 1978 (for which the directors of Richard K. Manoff, Inc. are solely responsible) are set out in the document dated 24th January, 1978 issued by your Company in connection with the issue of 2,750,000 new ordinary shares of 10p each. The profit estimate is based upon the audited accounts for the nine months ended 31st August, 1977 and on estimated results taken from unaudited accounting records for the three months ended 30th November, 1977. The profit forecast, which includes results estimated from unaudited accounting records for the one month ended 31st December, 1977, is based upon assumptions set out above.
We have examined the accounting policies and calculations adopted in arriving at the profit estimate and profit forecast. In our opinion, the profit estimate for the year ended 30th November, 1977 and the profit forecast for the thirteen months ending 31st December, 1978, so far as the accounting policies and calculations are concerned, have been properly compiled using the assumptions referred to in the previous paragraph, and on a basis consistent with the accounting policies used by Richard K. Manoff, Inc. during the five years ended 30th November, 1976.

Yours faithfully,
ARTHUR ANDERSEN & CO.

GEERS GROSS
Year ended 31st December, 1977
The profit estimate for the year ended 31st December, 1977 referred to above is based on the audited results for the nine months ended 30th September, 1977 plus estimated results for the three months ended 31st December, 1977. This estimate is based on unaudited management records for the two months ended 30th November, 1977 and an estimate for December 1977 profits based on expected billings and expenses for the month.
This profit estimate assumes that the associated company did not trade in the year, that the expenses of GGI are minimal and that the same accounting policies are adopted as were used for the nine months ended 30th September, 1977.

Year ending 31st December, 1978
The profit forecast for the year ending 31st December, 1978 of £350,000 referred to above is based on the following assumptions:—
(a) Trading will not suffer from the loss of any significant existing client in 1978 nor be adversely affected by major industrial disputes or new legislation.
(b) Turnover and the resultant commission has been estimated individually for each client on the basis of discussions with the clients in connection with their respective industry conditions. There is no written documentation to support these estimates.
(c) No account has been taken of income from new accounts which may be obtained in 1978.
(d) Wage and salary costs have been based on actual levels already agreed for 1978 and assume no general increase or decrease in staff over those in employment in December, 1977.
(e) Rents payable and receivable have been taken at actual levels but other overhead expenses have been assumed at 1977 levels plus an allowance for inflation and additional expenditure arising through the increased turnover.
(f) The commission payable to Mr. R. Gross and Mr. R. W. Pethick has been calculated in accordance with the terms of their service agreements on United Kingdom profits only.
(g) The accounting policies used in preparing the forecast are consistent with the accounting policies used in the adjusted audited accounts for the five years and nine months ended 30th September, 1977.

The consolidated profit forecast for the year ending 31st December, 1978 of £685,000 referred to above, which comprises the profit forecasts of Geers Gross and of Manoff after allowing for net interest costs and additional directors' commissions, is based on the following assumptions (in addition to the assumptions itemised above in respect of Manoff and Geers Gross):—
(a) The expenses of GGI will be minimal.
(b) The whole of the profit for the year arising in Manoff can be properly consolidated with other Group profits for the year and that none will be pre-acquisition.
(c) There will be no significant change in the dollar/sterling exchange rate of $1·95 = £1 adopted in this document.
(d) The cost to the Group of net bank interest arising from the arrangements with the Bank will not be significantly different from the £89,000 indicated below.
(e) The associated company will not trade in 1978.
(f) Goodwill (which includes the expenses of issue) arising in connection with the acquisition of Manoff will not be amortised.

Letters
The following are copies of letters received by the directors from Griffin Stone, Moscrop & Co. and from Sheppards and Chase relating to the profit estimate for the year ended 31st December, 1977 and the profit forecast for the year ending 31st December, 1978:—

The Directors,
Geers Gross Limited.

21 Manchester Square
London W1M 5AP.
24th January, 1978.

Gentlemen,
We refer to the pre-tax profit estimate of £280,000 for the year ended 31st December, 1977 and the pre-tax profit forecast of £350,000 for the year ending 31st December, 1978 of your Company (for which you as directors are solely responsible) set out in the document dated 24th January, 1978 issued by your Company in connection with the issue of 2,750,000 new ordinary shares of 10p each.
We have examined the above mentioned profit estimate and profit forecast which are based on management estimates and which follow assumptions as stated by you in that document and we have discussed these with you. In our opinion, the profit estimate and profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled in accordance with the assumptions stated.
We further refer to the consolidated pre-tax profit forecast of £685,000 for the year ending 31st December, 1978 (for which you as directors are solely responsible) set out in the same document.
We have examined the above mentioned consolidated profit forecast which incorporates the profit forecast of the Company's trading within the United Kingdom with the profit forecast of Richard K. Manoff, Inc. which have been prepared using the assumptions stated in that document. We have discussed this forecast with you and have also reviewed the report of Arthur Andersen & Co. in so far as the forecast incorporates the forecast and assumptions of Richard K. Manoff, Inc. We have examined the accounting policies and calculations adopted in arriving at the consolidated profit forecast and, in our opinion, this has been properly compiled using the assumptions referred to and on bases consistent with the accounting policies used by the Company.

Yours faithfully,
GRIFFIN STONE, MOSCROP & CO.

The Directors,
Geers Gross Limited.

Clements House
Gresham Street
London EC2V 7AU
24th January, 1978.

Gentlemen,
We refer to the profit estimate of your Company for the year ended 31st December, 1977 and the profit forecast for the year ending 31st December, 1978 which appear in the document dated 24th January, 1978 issued by your Company in connection with the issue of 2,750,000 new ordinary shares of 10p each. We have discussed the profit estimate and forecast and the assumptions on which they are based with you and with Griffin Stone, Moscrop & Co. and have also considered the letter dated 24th January, 1978 addressed to yourselves from Arthur Andersen & Co. with respect to the profit estimate and profit forecast of Richard K. Manoff, Inc. ("Manoff").
On the basis of the assumptions made and on the accounting bases reviewed by Griffin Stone, Moscrop & Co., and by Arthur Andersen & Co. for Manoff, we consider that the profit estimate for the year ended 31st December, 1977 and the profit forecast for the year ending 31st December, 1978 (for which you as directors are solely responsible) have been made after due and careful enquiry.

Yours faithfully,
SHEPPARDS AND CHASE
Members of The Stock Exchange

FURTHER INFORMATION ON MANOFF

Financing Arrangements
The consideration of $3,500,000 (£1·79m.) for the whole of the common stock of Manoff will be paid in part by the transfer of certain assets, amounting to approximately $600,000, to the vendors on completion which is expected to take place on 31st January, 1978. The balance of the consideration of $2,900,000 (£1·49m.) will be provided by Manufacturers Hanover Trust Company ("the Bank") by way of a eurodollar loan to the Company and will be used to subscribe for the share and loan capital of GGI as detailed below. As a condition of this loan, the Company will deposit the sterling equivalent at the time of draw down of the dollar loan plus a margin of 5 per cent. to cover currency fluctuations, with the Bank in London. On the basis of the rate of exchange used in this document the sterling deposit will amount to £1·56m. The loan has been arranged as a dual currency washable loan, that is to say the interest due in dollars on the eurodollar loan, which will be charged at 1½ per cent. over the London inter-bank offered rate for eurodollar deposits, will be paid net of the interest earned on the sterling deposit, which will earn interest at the London inter-bank offered rate.
The major part of the sterling deposit has been financed by an issue of 2,750,000 new ordinary shares in the Company at a price of 41½p per share to raise approximately £1,141,000 before expenses. Of the 2,750,000 new ordinary shares being issued, 1,421,400 have been offered to shareholders, other than directors of the Company and shareholders resident in the United States, for subscription by 27th January, 1978. Certain institutional shareholders have agreed to subscribe for their full entitlements totalling 690,000 new shares (see Contract 3 below). 731,400 new shares ("the underwritten shares") have been underwritten by Sheppards and Chase, who have also agreed to subscribe or procure subscribers for 1,328,600, the balance of the issue ("the placed shares") (see Contract 4 below).
To provide the balance of the sterling deposit, the Bank has agreed to make available a five year facility of £700,000 reducing by equal annual instalments ("the sterling loan") with interest at 2 per cent. over the Bank's base rate from time to time (currently 6½ per cent. per annum), secured by fixed and floating charges on the undertaking and assets of the Company and certain subsidiaries.
On the basis of current interest rates, the net interest cost of the dollar and sterling loans for the year ending 31st December, 1978 will amount to approximately £89,000.
The eurodollar loan will be used by the Company to subscribe $400,000 for the capital and $2,500,000 for 8 per cent. redeemable notes ("the Notes") of GGI, a private company incorporated in the State of Delaware, U.S.A., on 30th November, 1977 and formed for the purpose of acquiring Manoff. The Notes will be repaid at an annual rate of $200,000 together with interest, equivalent to a further $200,000 in the first year on an annual basis. These sums will be applied towards a reduction of the eurodollar loan, thereby releasing an equivalent amount of the sterling deposit, which in turn will be applied in reducing the sterling loan.
Although the eurodollar loan and sterling deposit are for ten years, the Company may repay the eurodollar loan at any time at its option on giving one month's notice in tranches of not less than $50,000 thereby releasing appropriate amounts of the sterling deposit. All necessary Exchange Control and Treasury consents have been obtained.

Allocation of profits
The agreement for the purchase of Manoff ("the Agreement") provides that during each of the five years ending 31st December, 1982, the first $700,000 of Manoff's annual profits before management bonus, employee profit sharing and taxation will be subject to the disposition and control of GGI with the next $700,000 being applied as management bonus and employee profit sharing. Any profits in excess of $1,400,000 per annum will be subject to the disposition and control of GGI.
During each of the succeeding five years ending 31st December, 1987, the first $1,200,000 of Manoff's profits before management bonus, employee profit sharing and taxation will be subject to the disposition and control of GGI, with the next $800,000 being applied as management bonus and employee profit sharing. Any profits in excess of $2,000,000 per annum will be subject to the disposition and control of GGI.
Certain of the directors of Manoff will be eligible to participate in the management bonus and employee profit sharing payments. These arrangements will modify the profit sharing and staff bonus plans previously in force.
The Agreement also contains warranties by the vendors that Manoff's profits after taxation for the year ended 30th November, 1977 would amount to not less than $300,000 (£154,000) and that Manoff's net worth at that date would amount to not less than $1,375,000 (£705,000).

STATUTORY AND GENERAL INFORMATION

Responsibility
The information contained in this document relating to Manoff has been supplied by the directors of Manoff, who have provided written confirmation that all facts stated, information given, statements made and (to the best of their knowledge) opinions expressed in this document concerning Manoff are true and accurate in all respects and that none of them is misleading and that there are no other facts, information, statements or opinions the omission of which might make any fact, information, statement or opinion in this document concerning Manoff misleading or inaccurate.

Share capital
During the two years preceding the publication of this document and save as disclosed herein:—
(i) no share capital of the Company or any of its subsidiaries has been issued for cash or for a consideration other than cash and no such capital is now proposed to be issued; and
(ii) no commissions, discounts, brokerages, or other special arrangements have been granted by the Company or its subsidiaries in connection with the issue or sale of any of their share capitals.

Directors and other interests
(a) The interests, all of which are beneficial, of the directors of the Company and their families in the ordinary share capital of the Company and their holdings of options under the Company's share option scheme, are as follows:—

	shares	options
R. Gross	500,000	35,000
R. E. Geers	240,000	—
R. W. Pethick	125,000	35,000
R. E. Langridge	—	35,000
T. C. R. Myers	—	35,000

(b) The Company has been notified that Cunningham & Walsh Inc. is interested in 313,600 ordinary shares being 12·35 per cent. of the issued share capital prior to the issue of the new shares and that The Stockholders Investment Trust Limited is interested in 270,000 shares being 10·77 per cent. of the issued share capital prior to the present issue. Save as mentioned herein, the directors are not aware of any other persons holding or beneficially interested in 5 per cent. or more of the issued share capital of the Company.
(c) None of the Company's directors has any interest in any assets which, during the two years preceding the publication of this document, have been or are proposed to be acquired, disposed of by, or leased to the Company or any of its subsidiaries.
(d) All the executive directors of the Company have full time service contracts with the Company which (except for Mr. R. Gross) are subject to termination on one year's notice, none of which has been altered since the date of the notice convening the last annual general meeting. Mr. Gross' service agreement as Managing Director dated 4th December, 1974 expires on 31st December, 1979 (subject to an option to renew for five years) at an annual salary of £18,000 with an entitlement to commission of five per cent. on the Company's consolidated profit before tax. Under the arrangements currently in force, the aggregate emoluments of the directors for the year ended 31st December, 1977 and for the year ending 31st December, 1978, based on the profit estimate and forecast for those periods, are estimated to amount to £83,000 and £112,000 respectively.
(e) Save as disclosed in this document, none of the directors of the Company has any material interest in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

Articles of Association
The Articles of Association contain provisions (*inter alia*) to the following effect:—
1. Subject to any special terms as to voting upon which any shares may have been issued, or may for the time being be held, every member present in person shall upon a show of hands have one vote and every member present in person or by proxy shall upon a poll have one vote for every 10p in nominal amount of the shares held by him.
2. The directors shall restrict the borrowings of the Company and take all necessary steps to exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies so as to secure (so far, as regards subsidiaries as by such exercise the Company can secure) that the aggregate borrowings for the time being owing to persons outside the Group shall not at any time without the previous sanction of the Company in General Meeting exceed a sum equal to three times the aggregate of the nominal capital of the Company for the time being issued and paid up and the amounts standing to the credit of the consolidated capital and revenue reserves (including share premium account, capital redemption reserve fund and profit and loss account) of the Company and its subsidiary companies adjusted in the manner set out in the Articles.
3. No director holding office as Managing Director or Executive Director shall be subject to retirement by rotation.
4. Each of the directors shall be paid out of the funds of the Company by way of remuneration, such sum (if any) as the Company may in general meeting from time to time determine. Such remuneration shall be divided among them in such proportions and manner as the directors may determine and in default of determination equally. The salary or remuneration of any Managing Director or Executive Director of the Company shall, subject as provided in any contract, be such as the directors shall from time to time determine.
5. A director may hold any office or place of profit under the Company (except that of auditor) in conjunction with the office of director and may act in a professional capacity to the Company and in any such case on such terms as to remuneration and otherwise as the directors may arrange. A director may enter into any contract or arrangement with the Company and any director entering into such a contract or arrangement shall not be liable to account to the Company for any profit realised by such contract or arrangement but the nature of the director's interest shall be disclosed by him in accordance with the provisions of Section 199 of the Companies Act 1948.
6. Subject to certain exceptions specified in the Articles, no director shall vote as a director in respect of any contract or arrangement in which he is interested and if he does so his vote shall not be counted nor shall he be counted for the purpose of quorum in such case. Such prohibition may at any time or times be suspended or relaxed to any extent by the Company in General Meeting.
7. A director may vote as a director in respect of any proposal considering the award of pensions, annuities and other benefits or the allocation of a superannuation fund or scheme (whether contributory or non-contributory) under which he may benefit.
8. The statutory provisions as to age limit for directors shall not apply.

Share Option Scheme
The terms of the Scheme which is administered by the directors provide for the grant of options to full-time executives (including executive directors) of the Group under 60 years of age as nominated by the directors up to a maximum of 260,000 shares or 10 per cent. of the issued share capital of the Company whichever is the less. The sum of £1 is payable as consideration for the grant of an option, and the maximum value (at subscription prices) of shares over which an executive may be granted an option in any year shall not, together with the value at subscription prices of shares already acquired or to be acquired on the exercise of options previously granted, exceed four times the executive's remuneration taxable in that or the previous year, whichever is the greater ignoring remuneration exceeding £25,000. The subscription price which is payable in full upon the exercise of an option is the middle market quotation in The Stock Exchange Daily Official List on the last dealing day before the option is granted or the nominal value of the ordinary share if higher. An option may not normally be exercised until three years have expired from its grant to an executive and will not normally be exercisable after the expiry of seven years from its grant. The ordinary shares issued on the exercise of an option will rank in all respects pari passu with the other ordinary shares of the Company. No option may be granted more than 10 years after 3rd December, 1974 the date on which the Scheme was approved by shareholders.

Subsidiary Companies
The Company has the following subsidiaries, all of which are wholly-owned, private companies incorporated in England:

Name	Incorporated	Issued capital £
Geers Gross Advertising Limited	30th September, 1964	10,000
Thomas Browne Group Limited	31st August, 1898	66,792
Browne's Advertising Limited	30th March, 1962	63,000
T. B. Browne (Trade Marks and Patents) Limited ..	30th March, 1962	11,000
T. B. Browne Marketing Services Limited ..	6th May, 1970	100
Consumer and Trade Promotions Limited ..	22nd August, 1967	100
Barney Browne Limited	11th June, 1971	2
George Cuming Limited	2nd August, 1967	100

GGI, which was incorporated as a private company with limited liability under the laws of the State of Delaware, U.S.A. on 30th November, 1977, is a wholly-owned subsidiary of the Company.
Manoff, which was incorporated as a private company, with limited liability under the laws of the State of New York, U.S.A. on 30th November, 1971, will become a wholly-owned subsidiary following the Company's completion of the Agreement for the purchase of Manoff with effect from 1st December, 1977.
The Company also owns 40 per cent. of the issued share capital of its associated company E.I.G.G. Aktiengesellschaft, a private company registered in Zurich, Switzerland in 1975.

Contracts
The following contracts which are or may be material have been entered into within the last two years by the Company or a subsidiary:—
1. Dated as of 30th November, 1977, as amended, between GGI (1) and Manoff International, Inc. and J. H. Lashenick (2), being the conditional Agreement referred to above for the purchase of the whole of the issued share capital of Manoff.
2. Dated 5th January, 1978 being two letters exchanged between the Bank and the Company setting out the terms and conditions on which the Bank will make the two loans referred to above to the Company.
3. Dated 4th and 5th January, 1978 being the undertakings to the Company referred to above by which Antony Gibbs & Sons (Nominees) Limited, The Alliance Investment Company Limited, Royal Bank of Scotland as Trustee of London Wall High Income Priority Trust, James Finlay Nominees Limited, Founders Court Nominees Limited and The Stockholders Investment Trust Limited have each agreed to subscribe in full for their entitlements aggregating 690,000 of the new shares at the issue price, for which they will receive a commitment commission of ½ per cent.
4. Dated 5th January, 1978 between the Company (1) the directors of the Company (2) the shareholding directors of the Company (3) and Sheppards and Chase (4) being the conditional agreement by which Sheppards and Chase have agreed to place or underwrite 2,060,000 of the new shares at a price of 41½p per share. Under this agreement the Company will pay an underwriting commission of 1½ per cent. on the underwritten shares, a commitment commission of ½ per cent. on 334,500 of the placed shares and a further commission of ½ per cent. on such number of these shares as are required to satisfy applications from the public.

General
(a) The directors are not aware of any litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries and the directors of Manoff are not aware of any litigation or claims of material importance pending or threatened against Manoff.
(b) The Agreement contains several warranties and indemnities by the vendors of Manoff in respect of any tax payable by Manoff in respect of all periods up to 30th November, 1977.
(c) The proceeds of the issue of the new shares are estimated to amount to £1,141,000 before expenses. The expenses of the acquisition and of the issue of the new shares (including capital duty, underwriting and commitment commissions and fees, accounting and legal costs in the United States and the United Kingdom, printing and the expenses of the re-listing) are estimated to amount to £254,000 excluding VAT and will be paid by the Company.
(d) The directors are satisfied that, taking into account available banking and other facilities and the proceeds of the proposed issue of the new shares, the Company and its subsidiaries will have sufficient working capital for their foreseeable requirements after completion of the acquisition of Manoff.
(e) A Certificate of Exemption has been granted by the Council of The Stock Exchange pursuant to section 39 of the Companies Act 1948.
(f) Arthur Andersen & Co., Griffin Stone, Moscrop & Co. and Sheppards and Chase have given and not withdrawn their written consents to the issue of this document with the inclusion of their respective reports and letters and of the references to them in the form and context in which they are included.
(g) Mr. P. M. Enoch, Secretary of the Company, is a partner in Franks, Charlesly & Co., solicitors, who will be receiving a fee in connection with the matters referred to in this document.
(h) The Agreement provides that on completion Mr. Richard K. Manoff will enter into an employment agreement with Manoff, guaranteed by the Company for the term of fifteen years as from 1st January, 1978 at an annual salary of $300,000 (£154,000) for the first seven years and at an annual salary of $112,500 (£58,000) plus adjustments for cost of living increases for the next eight years. In addition, in respect of the first five years of the contract, Mr. Manoff will be entitled to participate in the second $700,000 (£359,000) earned by Manoff to be applied as management bonus and employee profit sharing as mentioned above.
(i) The minimum amount required to be raised for the purposes of Paragraph 4 of Part I of the Fourth Schedule to the Companies Act 1948 is £1,141,000, made up as to £861,000 for the purchase of Manoff; £7,000 for commissions; £247,000 for other costs of the acquisition and issue, leaving £26,000 for additional working capital.
(j) The vendor shareholders are Manoff International, Inc. and J. H. Lashenick (both of 845, Third Avenue, New York, NY 10022, U.S.A.) to whom the consideration is payable as to $3,233,630 and $266,370 respectively.
(k) GGI has not commenced trading and no accounts have been prepared.
(l) The directors have no present intention of making any further issue of share capital and no issue will be made which would effectively alter the control of the Company or the nature of its business without the prior approval of shareholders in general meeting.

Documents available for inspection
Copies of the following documents may be inspected at the offices of Sheppards and Chase, Clements House, 14-18 Gresham Street, London EC2V 7AU during usual business hours on any weekday (Saturdays and Bank Holidays excepted) for a period of 14 days following the publication of this document:
(a) The Memorandum and Articles of Association of the Company.
(b) The audited consolidated accounts of the Company and its subsidiaries for the years ended 31st December, 1975 and 31st December, 1976 and the audited consolidated accounts for the nine months ended 30th September, 1977.
(c) The audited accounts of Manoff for the years ended 30th November, 1975 and 30th November, 1976 and the audited accounts for the nine months ended 31st August, 1977.
(d) The report of Arthur Andersen & Co.
(e) The report of Griffin Stone, Moscrop & Co. and their statements of adjustments.
(f) The material contracts referred to above and a draft of the proposed employment agreement for Mr. R. K. Manoff.
(g) The service agreements referred to above.
(h) The letters from Arthur Andersen & Co., Griffin Stone, Moscrop & Co. and Sheppards and Chase set out above.
(i) The consents referred to above.

Dated: 24th January, 1978.

HOME NEWS

United Glass agrees to peg prices for nine months

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

UNITED GLASS has promised the Price Commission that, provided there are no unforeseen increases in costs, it will not raise the prices of its jars or bottles for nine months.

The company has also agreed to review fundamental aspects of its operations, including its differential pricing structure, and is to examine the possibility of improving its use of capacity by obtaining firmer contracts from customers.

After a three-month investigation, the Commission has given UG Glass Containers—a wholly-owned subsidiary of United Glass—the go-ahead for a 9.8 per cent. increase originally proposed in September.

The bulk of this rise has already been implemented under the profit safeguard provisions of the new price controls and the Commission found no justification for stopping the company implementing the remainder.

The agreement between United Glass and the Commission means that the remaining 2.58 per cent. will be loaded on to the prices paid by the company's larger customers. These include Distillers Company who, with the American glass manufacturer, Owens-Illinois, owns United Glass.

United Glass is the second company to give the Commission an assurance about its future prices since the new price monitoring body, set up in August, started publishing its reports three weeks ago. But it is the first to promise the commission a review of its operations.

Even after September, the Commission will keep an eye on the company's prices to see what progress is being made towards this review.

Areas in which the commission considers a review necessary are similar to changes proposed in the past by that other competition body, the Monopolies Commission.

The Commission said United Glass was a well-run company, but suffered, with the rest of the industry, from constraints on productive efficiency arising from the uncertainties of demand. Availability of supplies and not price competition, was the main consideration in the glass market.

The company, which has about 30 per cent. of the total glass market and around 60 per cent. of wine and spirit bottle sales, had a basically conservative approach to capital investment.

Most of its investment programme had been directed to the maintenance of existing capacity rather than expansion. This cautious approach to investment was matched by a lack of aggressiveness in the company's marketing strategy, the Commission noted.

Firmer contracts would facilitate forward planning and improve plant utilisation. At present, customers give annual or quarterly forecasts of requirement which are sometimes modified at short notice.

The company's differential pricing structure might be a reflection of its dominant market position, but the better terms offered to larger customers were insufficiently related to cost savings.

The Commission investigation found significantly higher profits on selling to smaller customers than when dealing with big buyers.

The Commission urged the company to review its system of uniform delivered prices. The present system of charging the same price irrespective of where the customer was located could mean that customers near factories were paying higher prices than necessary.

Call for greater public spending

By Peter Riddell, Economics Correspondent

THE GOVERNMENT'S present public spending plans and policies, imply an unemployment total of more than 1m. in 1981, the Fabian Society contends in its comments on the recent expenditure White Paper.

The comments were made by Mr. Paul Ormerod, an economist with the National Institute for Economic and Social Research.

Fabians criticise the strategy and in particular, the policy of restraining the growth of public expenditure to stimulate private demand and boost economic growth.

Mr. Ormerod claims recent evidence shows that this does not occur and that a sustained expansion of the public sector is required if unemployment is to be brought down to acceptable levels in the next few years, especially since world trade is likely to grow relatively slowly

"If unemployment is to be brought down to less than 750,000 by 1981, we regard a firm commitment to an annual rate of growth of real Gross Domestic Product of 4½ per cent. as essential. Given the evidence of recent years, this was only possible if the public sector increased its share of total output. Government plans imply a reduction in the immediate future.

Trustee banks link with Visa cards

BY JOHN LLOYD

THE TRUSTEE savings banks have joined the Visa international credit card system, which includes Barclaycard in the U.K., in a further major development towards expanding their personal banking services.

The banks plan to launch their new Trustcard on November 1. Mr. Kenneth Cherrett, who has been appointed general manager of the Trustcard operation, said yesterday that the banks could have up to 1m. cards issued to selected customers in two to three years' time.

The new card will bear the brand colours of the international Visa system—blue, white and gold stripes—and will enable holders to use the card to pay for goods at 100,000 retail outlets in the U.K. and 2½m. Visa outlets world-wide.

It will act as a cheque guarantee card for holders up to £50 a cheque, in addition to the separate cheque card already issued by the TSB, which may be phased out. It will also provide a cash advance service at a total of 5,400 bank branches in the U.K. and Ireland when the TSBs join the system.

The 19 regional trustee banks maintain 15m. customer accounts, through a network of 1,655 branches, and have over 1.5m. cheque accounts, the most rapidly growing part of their business.

The move follows the introduction by the TSBs at the beginning of August last year of their new personal credit services. Mr. T. Bryans, chief general manager of the TSB central board, said that by the end of last year, the banks had granted loans to more than 30,000 customers.

Introduction of the credit card represents another important step in the progress of the trustee banks towards building up a full range of banking and investment services.

The TSBs have adopted the Visa system with the full support of its leading U.K. member, Barclays, with which talks were first held some five years ago. Barclaycard is also undertaking, for a management fee, all the processing functions as agents for the Trustcard operation in order to avoid duplication of facilities.

This means Barclays will handle negotiations with retailers, and Trustcard is expected at least for the time being to follow the pattern of Barclaycard charges.

At present, Barclaycard is cheaper that its main rival, Access, with an interest rate of 1½ per cent. a month against 1¾ per cent.

Ship losses are still running at £170m.

By John Moore

FURTHER HIGH ship losses last year and a bitter rate war in marine insurance markets has left marine underwriters showing heavy deficits, according to the Institute of London Underwriters.

The value of ship losses last year was about £170m., similar to the figure for 1976, at a time when the premium income to Lloyd's marine syndicates ran at about £127m. Figures should be treated with caution because Lloyd's operates a three-year account which can iron out fluctuations.

Mr. A. E. Mann, outgoing chairman of the institute, stressed at the annual meeting that the competition from overseas markets for the fewer vessels which are working as a result of the world recession has put severe pressure on underwriters, particularly on the hull account in non-Lloyd's underwriting.

The weakness of the international hull market through over-capacity has left some underwriters unable to take on insurance coverage for "peak" risks, such as large oil drilling platforms, without unbalancing their accounts. "It is necessary to obtain a spread of business of the conventional type of hull risk and here, of course, the over-capacity becomes apparent."

Gross tonnage shipping lost for 1977 is about 1.2m., again similar to 1976's figure, while the number of vessels totally lost was 203, compared with 208.

Scots seek Eurolinks

THE SCOTTISH Development Agency is seeking joint ventures with European companies to promote industrial projects in Scotland. Mr. Lewis Robertson, the agency's chief Executive, told businessmen in Brussels yesterday that there were "particular opportunities in downstream activities" related to North Sea oil and gas being pumped ashore.

The agency is mounting a sustained promotional campaign on the Continent. Mr. Robertson and Sir William Gray, the agency's chairman, are spending three days in Brussels meeting EEC officials, bankers and businessmen.

CBI moves to guard profits

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE CONFEDERATION of British Industry is expected to urge Mr. Roy Hattersley, Prices Secretary, to-day not to give in to pressure to abolish the profit safeguards written into price controls.

The subject is one of a number which probably will be discussed when Mr. Hattersley meets Mr. John Greenborough, CBI president, and Sir John Methven, Director-general, for lunch to-day.

The CBI's anxiety arises from reports at the week-end that a Labour MP proposed tabling a motion calling for the abolition of the present profit safeguards. These provisions restrict the Government's ability to freeze prices during and after a Price Commission investigation.

Mr. Hattersley is known to be worried that the safeguards may be undermining the effectiveness of legislation introduced in August.

Throughout the early stages of the debate over the new price controls, Mr. Hattersley was opposed to the principal of numeric safeguards. He argued that they were incompatible with the new discretionary system and that the good sense of the commission would be protection enough for industry.

The CBI, supported by the Conservatives, maintained that such assurances were totally inadequate and that companies must be given statutory protection against the effects of a Price Commission investigation.

The result was a complicated set of rules which prevent a company's margin on a product being eroded beyond a certain point.

When these safeguards were proposed the CBI maintained that they, too, were inadequate and that they compared unfavourably with safeguards written into prices legislation.

Despite the fact that the majority of companies investigated by the commission have been able to get the greater part of the increase originally notified under these safeguard provisions, the CBI has not changed its belief that they offer industry insufficient protection.

Island bid for postal service

ALDERNEY, Jan. 24.

AN INDEPENDENT Alderney postal service could be introduced in three or four years, Mr. John Winckworth, vice-president of the States of Alderney, said yesterday.

Let journalists run papers, says editor

FINANCIAL TIMES REPORTER

MORE JOURNALISTS and editors should be brought into newspaper management, Mr. Alisdair Macpherson, chairman of the Newspaper Conference, said yesterday.

Mr. Macpherson, London editor of The Scotsman, said the advent of new technology would inevitably vest more power in the hands of editorial people.

In spite of this, there had been a gradual decline in powers granted to editors by management, he said.

Computer-based technology would make a nonsense of the argument that editors and other senior editorial executives should be concerned only with editorial matters and leave others to do the managing, he said.

Several successful newspaper groups in Britain were run by former journalists, he said. "But others are run by people who I suspect, have no real understanding of the newspaper industry and would probably be just as happy turning out potato crisps or cornflakes."

He added: "The composition of managements will surely have to change. To-day, too many of the senior managerial posts on newspapers are held, not by journalists, but by a plethora of accountants, so-called personnel specialists harbouring obscure theories about man-management when a modicum of common sense would do."

The Press also had to put up with "advertising and marketing specialists, not a few of whom have equally curious ideas about the packaging and selling of newspapers."

Ulster may face Provo blitz

By Giles Merritt

SECURITY chiefs in Ulster are understood to be assessing the likelihood of a renewed Provisional IRA offensive in the province.

After this week's mortar bombing of an Army post in South Armagh and a spate of bombings throughout Northern Ireland since January 12, serious consideration is being given to reports that the Provisionals recently received an important consignment of arms and explosives.

The Royal Ulster Constabulary has confirmed that an American-made M60 belt-fed machine gun was used last Thursday by the IRA in Londonderry in an ambush in which three policemen were hurt, and it is thought that the gun may be one of six M60 in the hands of the Provisionals.

The speculation is that the M60s which, although cumbersome, have a devastating fire power against vehicles and helicopters, are just part of a batch of weaponry shipped up through the Irish Republic in recent weeks.

Fresh supplies

In Belfast yesterday, RUC sources were making it plain that the police are as concerned about the existence of a new arms route into Ulster as they are by the threat of the M60 machine gun.

In addition to the M60s it is possible that the consignment also consisted of fresh supplies of explosives and the mortar bombs which on Monday injured eight soldiers at Forkhill. Although the RUC estimates that the two mortar bombs fired into the army post from several hundred yards were each of 15 lbs weight, the Provisional IRA yesterday claimed that they were 120 lbs each and are "the most powerful mortar bomb ever used in the north."

In contrast to the lull in IRA activity in Ulster during the last quarter of 1977, this month already has shown a marked increase in violence. In the past fortnight 17 of the Provisionals' new blast incendiaries—devices in which a small explosive charge sprays flaming petrol through shop windows—have been detonated, and there has been a resumption of the use of high explosive.

The Provos' use at the end of last year of incendiary cassette bombs containing little explosive appeared to indicate an extreme shortage but, in the past 10 days, explosive bombs have caused damage in Belfast, Londonderry, Ballykelly, Cookstown, Dungannon and Newtownbutler.

Insurers watching Australian appeal

AN APPEAL from a decision of the Supreme Court of South Australia which affects insurance company agents in many parts of the world, began before the Judicial Committee of the Privy Council in London yesterday.

Mr. Trevor Morling, QC, told Lord Diplock, Lord Simon of Glaisdale, Lord Fraser of Tullybelton, Lord Russell of Killowen and Lord Scarman: "This is the first case in Australia or the U.K. in which a life insurance agent remunerated wholly by commission has been held to be in a servant-and-master relationship."

Lord Diplock: "Which came as a nasty shock to the insurance companies."

Mr. Morling said that Mr. Lancelot John Chaplin, land salesman, of Salisbury, South Australia, claimed from the Australian Mutual Provident Society of Adelaide money in lieu of long-service leave.

Judge Peter Thomas Allan of the Industrial Court of South Australia had held that Mr. Chaplin was a "worker" within the terms of the Long Service Leave Act 1967, because from May 8, 1967 to April 23, 1975 he was in continuous service with his employers, Australian Mutual Provident. He awarded Mr. Chaplin A$3,226.

The company then sought an order of certiorari against Judge Allan to bring his order before the Australian Supreme Court to be quashed on the ground that Mr. Chaplin was not employed by it and was an independent contractor.

The Supreme Court held that the order could be quashed if Mr. Chaplin was not a "worker," but it decided that he was.

Chief Justice Bray then said: "The society had here the legal right to exercise control over the manner in which the representative sold insurance on its behalf and did, in fact, exercise control over him through the medium of the supervisor, the roster, and the obligatory attendance at the sales office and at sales meetings."

Mr. Justice King said he had been troubled by the fact that the document containing the terms of the appointment allowed Mr. Chaplin to employ sub-agents, but it seemed from the documents, and in fact, that representatives had very little freedom of action

In every significant respect Mr. Chaplin was subject to the continual approval of the company. The judge had been right to find that Mr. Chaplin was a "worker" under the Act.

Big cities want powers back

BY DAVID CHURCHILL

LEADERS of 23 large cities with populations between 100,000 and 200,000 met in Westminster last night to press their case with Ministers and MPs for restoration of public services they lost to the counties under the 1974 Tory local government reorganisation.

The 23 former county boroughs such as Ipswich and Norwich which failed to get metropolitan status under the 1974 changes, feel that the transfer of powers has led to substantial duplication and waste of resources. They say that responsibility for housing, planning, transport and social services should be carried out on a local basis rather than by a remote county authority.

Equity-based pension funds rise by 45% on average

THE STRONG recovery in stock and property markets last year enabled pension fund investment managers in general to outperform comfortably rises in prices and earnings, according to figures published yesterday.

These show that equity-based pension funds had an average rise of 45 per cent. over the year, while fixed-interest funds showed a 38 per cent. increase, property funds a 23 per cent. rise, and mixed funds a 41 per cent. improvement. The retail price index over the same period moved ahead by 12.2 per cent. and national average earnings by 10.1 per cent

Company pension schemes now provide pensions based on final salary and often with the pensions themselves revalued in line with price increases. Since pension schemes tend to be fully funded, with contributions being paid during the working life of the employee, it is essential that the investment performance over the long term matches earnings and prices inflation.

Last year's performance has gone a long way to repair the ravages of runaway inflation experienced in the years 1973 to 1976 when investment performance lagged much behind inflation.

According to the survey by Harris Graham and Partners, the top places in the equity funds come from those orientated towards recovery situations and smaller companies—a feature seen in unit trust performance for last year.

The acid investment test as far as the financial institutions are concerned arises over the performance of mixed funds where the life company or merchant bank decides on the mix of equities, property and fixed interest on behalf of the client. Scottish Mutual Mixed showed a 65 per cent. rise for its clients and even the bottom performer Save and Prosper Company had a 29 per cent. rise—twice that of inflation.

EQUITY FUNDS	%
Top Schroder Recovery	+86.4
Average	+44.8
Bottom	
Keyser Ullmann O'seas	−28.1
FT-All Share	+49.1

PROPERTY FUNDS	%
Top	
Abbotstone Agricult.	+51.[illegible]
Average	+22.[illegible]
Bottom Barclays Intnl.	+ 4.5

FIXED INTEREST FUNDS	%
Top. Prov. Mutual Fixed	+50.[illegible]
Average	+38.[illegible]
Bottom	
Prov. Mutual Cash	+ 8.[illegible]
FT-All Stocks Gilts	+36.[illegible]

MIXED FUNDS	%
Top Scot. Mutual Mixed	+65.[illegible]
Average	+40.3
Bottom	
S & P Company	+29.[illegible]

HOME NEWS

Economic euphoria not justified warns Barnett

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A WARNING that there is no room for euphoria about the U.K.'s economic prospects in spite of North Sea oil and the improved financial position, was given yesterday by Mr. Joel Barnett, Chief Secretary to the Treasury.

"It is essential that we stop thinking of North Sea oil as offering a tax-cutting bonanza or any other kind of bonanza," he said at the Export Year national conference in Birmingham organised by the British Overseas Trade Board. His views indicate the cautious line likely to be adopted in the Government's forthcoming document on alternative uses of the North Sea oil wealth.

He contended that even with North Sea oil, unless the U.K. improved its industrial performance there will "very soon" be a shortage of resources to meet the numerous demands for cuts in tax and for massive increases in public spending, as well as for new sources of energy.

"All these demands cannot be met from the North Sea. Unless we believe that, and act accordingly, whether we put the proceeds into a special fund or not, we will be on the road to disaster."

Mr. Barnett pointed out, however, that in the years ahead the U.K. would have "choices which have not been open to us for more than a generation."

He discussed the weaknesses of the past—in particular, the loss of the share of world trade, and suggested that an explanation for this does not lie in the level of tax or the exchange rate.

Since the early 1960s, he said, "the value of sterling compared with that of other currencies has fallen perhaps even faster than domestic prices have risen."

MR. JOEL BARNETT . . . cautious line

Vicious circle

Mr. Barnett maintained that the U.K. now had the opportunity to break out of the "vicious circle of inflation/devaluation/more inflation, all leading ever downwards towards our demise as an industrial power."

Instead, there is a chance "to break into a virtuous circle where improved productivity leads to reduced costs, higher living standards, and improved productivity.

"This is not a mirage. It is the economic circle which some of our competitors have succeeded in establishing, and I do not believe it is impossible for us."

Another speaker, Mr. Jack Jones, general secretary of the Transport and General Workers' Union, suggested that visits by shop stewards to overseas customers for British goods which they had helped to make would assist in cementing relationships between men and management built up through co-operating on export projects.

The great success of the 1977 "export year," he said, had been the growing understanding on the shop floor of the role of exports in providing more regular employment. The failure had been the lack of support by the media in publicising individual success stories.

Mr. Jones was speaking at the launching of a new campaign, "Export Union" by the Duke of Kent, which is supported by the TUC, the Confederation of British Industry and the British Overseas Trade Board, of which the Duke is a vice-chairman.

Lawyer 'controlled fraud companies'

SOME COMPANIES in an international currency fraud were controlled by Judah Binstock, a former London solicitor and businessman, Guildhall Court was told yesterday.

Mr. John Carlile, Bank of England exchange control investigator, said the companies concerned were "creatures of Mr. Binstock," controlled by him from behind the scenes.

Before the court, facing a total of 32 charges, were London stockbrokers Lewis Altman, 59, and Robert Carnes, 31.

Also named in the charges were their firm of Lewis Altman and Co., EIC Eurosecurities, Tricommerce, and Judah Binstock, now living abroad.

Altman and Carnes plead not guilty to conspiring with Binstock and others between 1974 and 1975 to contravene the Exchange Control Act and obtain investment currency premium on millions of pounds not entitled to the premium.

Mr. Michael Worsley, prosecuting, claimed the defendants and a group of businessmen had operated a "revolving fund exchange control fraud" which netted a £2m. profit.

The profit resulted from transactions involving £6.6m. of foreign currency, which had been passed off as investment currency. These sums were then sent around the world to allow the process to be repeated, it was alleged.

Mr. Worsley said the cover story given to the Bank of England and the Treasury was blown when Binstock, during a search by customs officers at Heathrow, tore up some documents he pretended were of no use and threw them in a wastepaper basket.

The pieces were put together and discovered to be drafts of documents to be forged to deceive the Treasury. Mr. Worsley claimed these were in Altman's handwriting.

Mr. Robin Auld, representing Altman and Altman and Co., put it to Mr. Carlile that, at the time of these matters, Mr. Binstock effectively controlled EIC, the Central European Company for Insurance and Reinsurance and Investment AG, Tarquinus Trust and Metos AG.

Mr. Carlile said: "My understanding is based upon replies from Altmans that all these companies mentioned are creatures of Mr. Binstock."

Mr. Binstock figured largely in the affairs of EIC and it was a reasonable assumption that he controlled its affairs, he added.

Mr. Auld asked if Mr. Carlile understood Mr. Binstock to be a man of varied and extensive business interests who controlled a number of other companies, whose style was not to conduct business matters from the Board, but work behind the scenes. Mr. Carlile said that he understood this to be the case.

He added that later in their investigations, they found it was quite proper for Altman not to make returns to the Bank of England on the transactions, because they were not the authorised depository for the transactions.

Mr. William Rees-Davies, representing Carnes, said that the major persons concerned with EIC did not know of any connection with Mr. Binstock. It was a highly respected company in the City.

Michael Nolan said he had stopped Mr. Binstock at Heathrow in September 1976 because he had received information from the Metropolitan Police that he was of interest to them.

The case continues to-day.

Property valuation guidelines out

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

NEW PROPERTY valuation guidelines and a do-it-yourself guide book for practising estate agents were published yesterday by the Royal Institution of Chartered Surveyors.

Mr. Norman Bowie, chairman of the Institution's asset valuations standards committee, introduced three new valuation guidance notes yesterday.

The first, which has been hammered out after talks with the accountancy profession, details recommended methods of making allowance for the depreciation of buildings in a property valuation. The note allows for two approaches. Valuers may either calculate the current replacement cost of buildings and reduce this figure by the amount of wear or obsolescence of the property, or they can apportion the open market value of a property between buildings and land.

The accountants have waived asset depreciation rules on investment properties for 12 months while discussions take place over changes in property company accounting. And Mr. Bowie explains that the institution is standing aside from the depreciation debate.

"The institution considers that the question as to whether or not provision for (investment properties) depreciation should be made in financial statements is a matter for the accountancy profession."

The second note sets out for the first time standard procedures for all asset valuations outlining all the points that should be covered in a valuation.

The third defines the relationship between a valuer and a company's auditor and calls for reasonable and "responsible co-operation" even though external valuers are not legally required to give details of their valuation to the auditor.

In addition to the guidance notes, the institution's estate agency committee yesterday published a new booklet, "Practice Notes for Estate Agents."

Feature, Page 16

Refineries in moves to trim capacity

BY RAY DAFTER, ENERGY CORRESPONDENT

OIL COMPANIES, trade unions and the Government are working towards a joint plan to solve the problem of serious over-capacity in the refinery industry. The result could be a head-on collision with the EEC Commission.

The unions are concerned that many of the 12,000 jobs in the industry in Britain are being threatened by a scheme, proposed in Brussels, that would involve the closure of a number of European refineries.

Companies are worried that their profitability is being seriously impaired as a result of refineries running at two-thirds to three-quarters of capacity.

For the first time, major oil companies met with the unions and Government yesterday to discuss the problems. Their main decision was to meet again on February 27 to outline possible U.K. refinery policies before the EEC Energy Ministers' meeting in March.

Opposed

It is already clear that Mr. Anthony Wedgwood Benn, Energy Secretary, who was chairman at yesterday's meeting, will have union support for his opposition to the Brussels plan.

He has already said that Britain would resent EEC interference in its domestic energy policies.

Mr. Roger Lyons, national oil officer of the Association of Scientific, Technical and Managerial Staffs, and one of those at the meeting, said last night that oil unions were "firmly opposed" to any EEC intervention.

The EEC Commission last year recommended that Community refining capacity should be reduced by 16 per cent. to bring production levels more in line with demand.

The discussions yesterday also involved Dr. Dickson Mabon, Minister of State, Energy, representatives of the Petroleum Industry Advisory Committee, and senior officials of the Amalgamated Union of Engineering Workers, the Transport and General Workers' Union, and the General and Municipal Workers' Union.

The unions, represented by 15 officials, presented a detailed paper in which the Government was urged to insist on two-thirds of North Sea oil being refined in the U.K., in line with previously declared policy statements.

They claimed that more than 40 per cent. of North Sea crude was being exported, a fact that was undermining employment prospects and potential petrochemical investment in the U.K.

Strategy

The paper also called on the Government to initiate further tripartite talks with a view to reaching an agreed strategy, at company and industry level, covering employment, investment, the up-dating of existing refineries and general refinery policies.

The companies are in a quandary. Although many of the major oil groups state that no new basic refinery expansion can be justified in Europe in the next seven to 10 years, they are aware that more than £1bn. worth of refinery expansion is planned in the U.K. alone.

Most of this money is being spent on upgrading facilities which will produce lighter petroleum and chemical products from fuel oil. But even here, a serious danger of excess capacity exists.

Energy bill rose 18.5% last year

BRITAIN'S total energy bill rose to £16bn. last year, an 18.5 per cent. increase over 1976 figures, according to provisional Department of Energy statistics.

Most of this increase arose through higher fuel costs, however. Conservation efforts and the slow rate of economic recovery meant that energy consumption in real terms grew by only 3 per cent.

Last year final energy consumption amounted to about 59bn. therms against 57.3bn. therms in 1976.

The Energy Department's new publication, Energy Management, points out that the 1977 energy bill is based on data relating to the first nine months and estimates consumption in the last quarter.

The total represents an average expenditure per head of population of about £285 a year or £5.50 a week.

State Oil extends its Ninian share

BY OUR ENERGY CORRESPONDENT

BRITISH NATIONAL Oil Corporation has extended its influence in the North Sea Ninian Field consortium, after a State participation agreement with London and Scottish Marine Oil Company.

The Corporation already holds the biggest equity interest in Ninian; 21 per cent. of an estimated 1.1bn. barrels of recoverable reserves.

As a result of this latest participation deal, BNOC has gained the right to buy at market price 51 per cent. of LASMO's share of production from the Block 3/8 portion of the field.

LASMO and its subsidiary, Scottsih Canadian Oil and Transportation Company, have a 30 per cent. interest in Block 3/8 which covers about 30 per cent. of the field.

The agreement will give BNOC access to about 50m. barrels of LASMO's recoverable reserves.

In addition, the Corporation has obtained a proportion of LASMO's vote in the Ninian Field operating partnership covering the exploitation of reserves and related facilities.

The Energy Department said that the agreement satisfied the Government's objectives for State participation in offshore fields while safeguarding the companies' interests. LASMO and SCOT would be financially neither better nor worse off.

The agreement was signed yesterday by Dr. Dickson Mabon, Minister of State, Energy, and senior officials of the corporation, LASMO and SCOT.

The Ninian Field was discovered four years ago and production is expected to begin later this year.

The licensees of Block 3/8 are BP Petroleum Development (50 per cent.); Ranger Oil (9.8 per cent.); SCOT (7 per cent.); LASMO (23 per cent.); and BNOC (10.2 per cent.).

Disputes and aircraft fault trim British Airways profit

BY LYNTON McLAIN, INDUSTRIAL STAFF

THIS YEAR British Airways expects to make a profit slightly below last year's "very impressive" one of £35m., Sir Frank McFadzean, chairman, told the House of Commons Select Committee on nationalised industries yesterday.

Without three major prablems, he said, the figures for 1977-78 would be almost comparable with the £35m. The airline had been hit by cracks in the wings of its Trident aircraft, by the air traffic controllers' strike and by the engineering dispute.

There had also been difficulties on the North Atlantic routes which had not produced the good return of other routes. Profits from the cargo sector had also tended to drift downwards.

British Airways had also felt the competitive situation caused by Laker Airways Skytrain, said Mr. Ross Stainton, deputy chairman and chief executive.

Skytrain took a fuller place on the North Atlantic than planned in the original experimental scheme which was to have flown from Stansted.

These factors and continued overstaffing had forced British Airways to consider staff reductions.

The real problem, said Sir Frank, was how to convince staff that British Airways had to change from being a low-wage, low-cost airline to one with a higher wage and competitive costs structure.

A survey had shown that British Airways employed 142 people per 10m.-ton miles compared with 115 for European airlines and 71 for North American airlines.

The British Airways' figure was high because the airline did third-party work. But British Airways' personnel costs were lower, averaging $12.6 per ton mile compared with $12.9 in the U.S. and $18.4 in Europe.

Sir Frank revealed plans to replace the present 12 aircraft types, mainly by TriStar 500 and Boeing 747 airliners on long-haul and TriStars on medium-haul. A total of 70 of two other aircraft types carrying 120 and 180-200 passengers would be needed to replace existing short- and medium-haul aircraft such as the Trident.

Sydney air fare cuts shelved

Financial Times Reporter

AUSTRALIA has postponed a decision on requests from British Airways and Qantas for cheaper fares between London and Sydney.

Mr. P. J. Nixon, Australian Federal Transport Minister, said after talks with Department of Trade officials that no decision would be made before April. A review of Australian aviation had to be completed first, he said.

Last autumn, the British Civil Aviation Authority considered proposals from British Airways and Qantas which hoped to start new low price fares from January 1. The fares would start at £395 return on the London to Sydney run, off-season—a cut of £55 on to-day's cheapest fares.

In the mid-peak season, the fare would be £475, a reduction of £75, and £530 in the peak months of January, August, September, October and December.

Stamps depict energy sources

THE nation's energy resources are the theme of four new stamps which go on sale at post offices to-day.

One at 9p highlights oil, and the design depicts a production platform in the North Sea. The 10½p stamp features coal, and shows a modern pithead. The 11p stamp represents natural gas by depicting a flame rising out of the sea and a 13p stamp represents nuclear power by a diagram or a uranium atom.

They have been designed by Peter Murdoch.

Late run on aid for clothing industry

BY RHYS DAVID, TEXTILES CORRESPONDENT

BRITAIN'S CLOTHING industry now looks as though it will, after all, take up most of the £15m. made available under the Industry Act aid scheme, following a sudden surge in applications at the end of last year.

The Department of Industry office in Manchester received 450 applications in December, the last month for submissions, equalling the total in the preceding two years of the scheme.

The sudden surge would seem to reflect renewed confidence by the industry in future prospects. It increased its exports in 1977 by £200m., to over £600m., a major success.

The scheme was launched, at first with funds of £20m., in an attempt to bring about structural changes in the industry, enabling it to improve productivity and reduce its very large trade deficit —over £270m. in 1976.

The funds available were reduced, after initial poor response. Improvements were incorporated in the working of the scheme, but by early December less than half the £15m. had been taken up.

Department officials announced before Christmas that at the start of the month 436 applications had been received for projects costing a total of £33m. and involving possible assistance from the Government of £7.2m.

The Department has yet to assess the total cost of projects involved in the 450 new applications received in December, but estimates put the figure at a further £30m., almost certainly using up all the remaining funds in the scheme.

A similar late response came in wool textiles, where a large part of the fund made available to the industry was taken up only in the closing month of the scheme.

In the case of clothing, some of the delay in applying may have been caused by companies waiting to see what new controls on imports would emerge from the Multi Fibre Arrangement talks, which ended only in December and appear to have secured greater protection for the European textile industry.

Birmingham air terminal go-ahead expected

BY OUR MIDLANDS STAFF

GOVERNMENT APPROVAL is expected for West Midlands County Council plans to build a terminal at Elmdon Airport, Birmingham. The Government seems likely to sanction spending of £39m. toward the £48m. project. Work may start in 1981.

The National Exhibition Centre seems unlikely to have its preferred site, which would have linked the terminal to the halls by a walkway. The terminal will be about half-a-mile away from the centre.

Mr. John Taylor, Leader of West Midlands Council, said last night that funds would be put aside in budgets in the next few years to provide for the project. A 60 per cent. grant from the Government is expected.

LABOUR NEWS

Concern over haulage pay deal

By Nick Garnett, Labour Staff

THE Department of Employment is seriously concerned about new pay arrangements made for lorry drivers in some northern areas.

The northern section of the Road Haulage Association is not covered by a formal regional agreement.

A pay recommendation, agreed by hauliers and the unions and covering a number of areas—including Tyneside, Teesside and North Cumbria—breaches guidelines when overtime payments are taken into account, the Department of Employment believes.

Road hauliers' proposals, which apparently leave individual hauliers some leeway, are based on increases of slightly more than 9 per cent. on basic rates.

The northern region of the association said a considerable number of hauliers in the North-East did not offer overtime and some companies might offer drivers less than the recommended increase.

The effect on overall earnings would be outside guidelines, however, for companies whose drivers regularly worked a fair amount of overtime.

Mr. Jack Ashwell, national secretary for transport for the Transport and General Workers' Union, which is co-ordinating the drivers' pay negotiations, said a number of regions had offered pay deals worth considerably more than the 15 per cent. settlement for the West Midlands.

Pay talks for drivers in North Wales are now deadlocked. Those for South Wales have broken down and the association has warned of possible disruption.

● Shop stewards representing Esso tanker drivers decided yesterday to join those at BP in imposing a total overtime ban from February 1 in pursuit of their pay claim.

Engineering workers will discuss national 2½% offer

BY NICK GARNETT, LABOUR STAFF

THE EXECUTIVE of the Amalgamated Union of Engineering Workers decided yesterday to recall its policy-making national committee to decide what action should be taken following an employers' offer that would add about 2½ per cent. to wage bills.

More talks with the Engineering Employers' Federation are due on Friday week. The engineering union will then finalise proposals it intends to make to the Confederation of Shipbuilding and Engineering Unions on February 9.

After the offer last week both employers and union officials said it might now prove impossible to agree a new national agreement for the industry. Pay negotiations would then fall back to company level.

The possibility of industrial action on a national scale cannot be ruled out, however.

Mr. Hugh Scanlon, the union president, would not be drawn on what proposals the engineering union might put to the federation.

The executive endorsed the initial reaction of Mr. Scanlon that the offer was "derisory."

Union officials have been annoyed that as part of the offer the employers want holiday pay altered from the present [illegible]-and-a-third to the level of average plant earnings.

The employers say this will go some way to restoring differentials, but the union contends that, for some engineers, overall wages will actually drop.

Unions in the Confederation submitted a claim to raise craftsmen's basic rates from £42 to £70 and those for labourers from £33.60 to £40.

The offer would lift [illegible] rates to £52 and £40 respectively and the employers say their members want to retain most of the 10 per cent. allowable under pay guidelines to meet the demands of local negotiations.

New technology for Reveille agreed

FLEET STREET'S first major switch to computerised printing techniques was assured last night when members of the National Graphical Association at Mirror Group Newspapers agreed to work the new system.

The planned production of Reveille magazine, using computerised photosetting technology, had been in the balance after a last-minute dispute between two unions, the NGA and the National Society of Operative Printers, Graphical and Media Personnel.

It is expected to appear as planned on Tuesday.

The dispute was about collation of printing material as it emerged from the computer.

Reveille is the first of the Mirror Group's publications due to change to "new technology" production techniques. It will be followed by Sporting Life, the Sunday People, Sunday Mirror and Daily Mirror.

A joint statement from the NGA and the Mirror Group said: "Resulting from intensive discussions during the past week between NGA union officials, MGN composing room chapel officials and directors of MGN Mirror Group management and the NGA are pleased to announce that production for the issue of Reveille dated February 3, using photo-composition techniques, will proceed immediately, and printing day will be Tuesday, January 31."

Mr. Ted Blackmore, Mirror Group production director, said: "The NGA have now agreed to work the system as the management wished."

Mr. Bill Booroff, NGA London region secretary, said the vote at last night's meeting of composing NGA chapels had been three to one for working the system.

"There was a lot of hostile questioning, but I think that in the end they were happy to honour their original agreement to operate the new system."

Councils think police are underpaid

By Alan Pike

LOCAL AUTHORITY employers concede that existing rates of police pay are "insufficient everywhere" to maintain manpower standards in evidence submitted to Lord Edmund-Davies's committee of inquiry on the police.

The employers, the official side of the Police Council, believe that the level of police pay "should be determined by reference to the level of earnings in the economy generally."

TUC warns Healey on continuing restraint

By Christian Tyler, Labour Editor

MINISTERS' SPEECHES about the need for continuing wage restraint were upsetting difficult pay negotiations in the present round, TUC leaders told the Chancellor yesterday.

Mr. Denis Healey, who a month ago himself advocated some permanent system of wage determination, was also warned that the Government's use of sanctions against employers for exceeding the 10 per cent. guideline was having the opposite effect to that intended.

These points came out in what is probably the last pre-Budget meeting between the Chancellor and members of the TUC economics committee.

Mr. Len Murray, TUC general secretary, said afterwards that the recent "spate of speeches about pay after July" were "totally counter-productive."

He went on: "The situation is difficult enough in the complex negotiations that are going ahead now." If unions felt there was some sort of sword of Damocles hanging over them, they would be less willing to settle "at particular rates."

Mr. Healey had replied that the speeches had not been "orchestrated." He acknowledged without comment the points put to him.

The framework for the hour-long session at the Treasury was the TUC's concern about unemployment, which Mr. Murray said could still stand at a million by 1981 even with a growth rate of 5-6 per cent. Every unemployed worker now cost about £3,000 a year, taking everything into account.

The Chancellor promised to support the TUC in resisting what Mr. Murray called the depredations of Brussels on the Temporary Employment Subsidy. The Common Market Commission is aruging that the subsidy, due to expire at the end of March, is an illicit subsidy for certain U.K. industries.

For the rest, the economic committee spelt out the details of its demand for a £3bn. budgetary boost—a figure that Mr. Murray described as "modest." The TUC wants £2.1bn. of that to be taken up by introducing a reduced rate of income tax of 25 per cent. on the first £1,000 of taxable income.

Polish ships formula

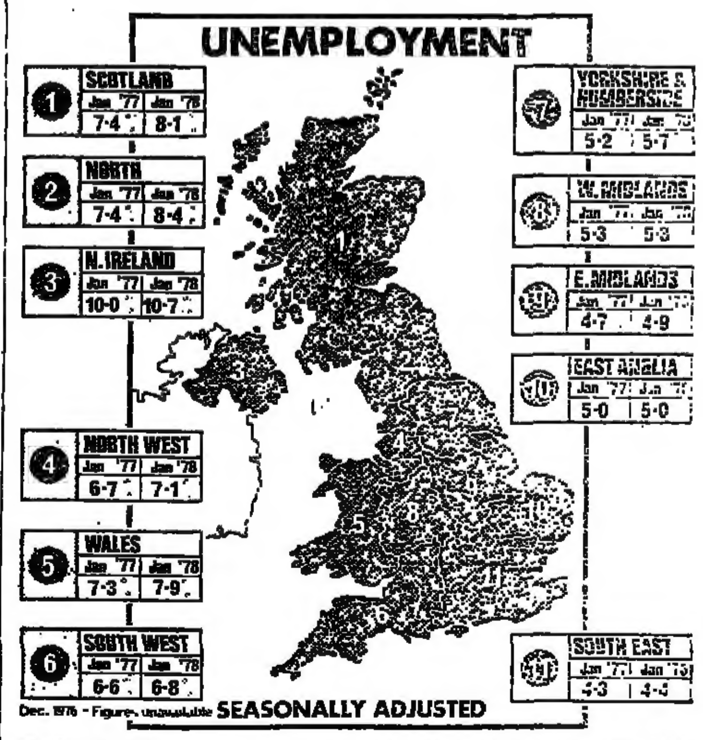
BY CHRISTIAN TYLER, LABOUR EDITOR

SHIPBUILDING union leaders met in London last night and after three hours produced what was described as a formula for ensuring that four of the Polish ships would be returned to the Tyne.

Mr. John Chalmers, chairman of the shipbuilding committee of the Confederation of Shipbuilding and Engineering Unions, said the formula had been unanimously agreed. It would be put to British Shipbuilders to-day.

More pay trouble broke out on the Tyne yesterday, where competing claims between boilermakers and outfitters at Swan Hunter have lost the group seven ships from the Polish contract.

Yesterday's development was a decision by a meeting of 1,000 boilermakers employed by the six yards in the Tyne Repair Group to impose an immediate overtime ban.



Regional differences in the level of unemployment have widened again in the last month—most clearly in Northern Ireland. There the total has jumped by 2 per cent. and the jobless percentage among adults is more than 75 per cent. higher than the U.K. average.

Over the last year, the regional gap has widened considerably. While in the U.K. as a whole the number of adults out of work has risen by 6½ per cent., there have been increases of 15 per cent. in northern England, 12½ per cent. in Northern Ireland, 11½ per cent. in Scotland, 11½ per cent. in Wales, and just under 11 per cent. in Yorkshire and Humberside. However, the rise has been just under 2 per cent. in south-east England.

Talks to-day on Ford dispute

BY PHILIP BASSETT, LABOUR STAFF

REPRESENTATIVES OF the 1,000 pressroom workers at Ford's Halewood car plant on Merseyside who yesterday voted unanimously to continue their two-week-old unofficial strike, will meet Ford management to-day for the first time for a week.

Shop stewards at Merseyside's other trouble-hit car factory, British Leyland's Triumph plant at Speke, which has been at a standstil for more than three months, met yesterday to draw up revised proposals for a further peace meeting with management and national union officials to-morrow.

Mr. Grenville Hawley, national automotive secretary of the Transport and General Workers' Union, and Mr. Terry Duffy, Midlands executive member of the Amalgamated Union of Engineering Workers, will have talks with local union officials, plant stewards and Leyland representatives at the meeting in Coventry.

A settlement to the Halewood strike looked further off last night after a unanimous decision of a short mass meeting in Liverpool not to meet again until a fortnight's time, unless the position largely changed.

To-day's meeting between Ford shop stewards and management will be the first talks between the two sides since January 16.

● British Leyland lost a day's production worth about £1.5m. of Rover 3500, 2600 and 2300 saloon cars, and laid off 3,600 workers at the Rover assembly plant in Solihull yesterday, because of a dispute with six track inspectors about overalls.

PARLIAMENT AND POLITICS

Thatcher sees double disaster over jobs

BY IVOR OWEN, PARLIAMENTARY STAFF

WITH THE January unemployment figures, including school leavers in excess of 1.5m., the Prime Minister came under heavy fire in the Commons yesterday, from Mrs. Margaret Thatcher, Opposition leader.

"You will go down in history as the Prime Minister of Unemployment," she thundered, amid an accompanying salvo of Tory cheers. To add to Mr. Callaghan's discomfiture, there was also some sporadic sniping from the Government back benches.

Mrs. Thatcher opened the exchanges with a double-barrelled assault. Not only had Government policies produced a serious rise in the numbers out of work, but they had also resulted in a shortage of skilled labour, she argued.

"You have achieved the disastrous double," she told the Prime Minister.

Mr. Callaghan again used the Conservative document, "The Right Approach," for cover. He reminded Mrs. Thatcher of its statement that the fundamental weaknesses of the British economy in its failure to be competitive were deep-seated and could not be remedied in less than a decade.

This was something which Mrs. Thatcher knew perfectly well. So it was "sheer party politics" to suggest that unemployment, which was sweeping the Western world, was due to the policies of the Government.

The Prime Minister was equally unimpressed by the Tory leader's charge that the Government had produced a shortage of skilled labour. There were some specific examples of shortages of skilled men in a few areas, he admitted, but Government inquiries, made as recently as a week ago, showed that there was no overall shortage of skilled men.

He stressed that the Government had initiated the largest training programme ever undertaken.

Realities

Mr. Callaghan was also adamant that the economy must be allowed to expand at a steady rate. No one wanted to return to the "boom and bust" situation experienced in earlier years. "This is what I am determined to resist," he declared.

Still Mrs. Thatcher stuck to her guns. Was not one of the reasons why Britain was affected by deep seated economic problems the fact that Labour had been in power for 10 out of the past 13 years?

Mr. Callaghan did not seem unduly disturbed. The label "Prime Minister of Unemployment" might catch a headline somewhere, but it would not alter the British people's fundamental appreciation of the realities of the situation, he declared.

Though it might not afford any comfort to Mrs. Thatcher, he was ready to fire off a prophesy. "I have a feeling that we shall be in power for the next ten years, too."

Mr. Charles Morrison, (C., Devizes) still wanted to know why Britain's unemployment record was worse than that of France, West Germany, Italy and the U.S.

The Prime Minister explained that because of the deep-seated nature of Britain's economic problems, unemployment had been higher than in West Germany or France for most of the last decade. He welcomed the fact that many people had now shed the belief that there was some "magic key" which only had to be turned to make Britain competitive.

"Both sides of industry understand what needs to be done and what is more are turning their attention to doing it. That is the way we shall overcome unemployment," he said.

Mr. Jim Sillars (Scot. Lab., Ayrshire S.) underlined the unease on the Government backbenches by recalling that when unemployment topped the 1m. mark, for the first time after the war, while the Heath Government was in office, the Parliamentary Labour Party staged a demonstration in the Commons which led to the Speaker suspending the sitting.

Now, with unemployment over 1.5m., there had been scarcely a ripple of anxiety or concern from the Labour ranks, he said.

This brought a hasty assurance from Mr. Eric Heffer (Lab., Walton) that had he been given the opportunity, he would have produced not a ripple, but "a positive explosion."

Owen finds some value in Think Tank report

BY MARTIN DICKSON

DR DAVID OWEN, Foreign Secretary, yesterday made clear his opposition to some of the main recommendations of the Government Think Tank's report on British overseas representation. But there was also a good deal in the review that was very valuable, he said.

Dr. Owen adopted a far less hostile tone than many other critics who have appeared before the Commons Select Committee examining the report.

He felt there was a danger of simply brushing the report aside and not tackling some of the problems of overseas representation. In five to ten years' time, people might suggest another investigation.

The report contained some valuable analysis and would be useful when the Government formulated future policy.

But the Foreign Secretary made clear he disagreed with the Think Tank's call for cuts in the number of British diplomatic posts overseas and the integration of the Diplomatic Service into a unified Civil Service. He had been surprised to find some of his greatest differences with the Think Tank were on the question of Government machinery.

Dr. Owen said it could be argued that the more complex the world became, the greater the demand for overseas representation. Reduced diplomatic representation was not a necessary concomitant, in all areas, of a decline in power. He favoured British diplomatic representation in all countries that were members of the United Nations, not least because Britain was a permanent member of the Security Council.

Dr. Owen was sceptical about a merger of the Diplomatic Service with the Home Civil Service. At the same time, he felt there should be a greater interchange between the Diplomatic Service and other departments, such as the Treasury, the Ministry of Overseas Development and the Department of Trade. He had no objection to home civil servants becoming ambassadors in countries where trade was important.

The Foreign Secretary felt it was necessary to examine the career structure of the Diplomatic Service. There was a danger of young, talented people becoming frustrated by a bulge of 50- to 60-year-olds at the top of the service.

Mulley faces bitter Left on plan to increase defence spending

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE LABOUR Left-wing yesterday mounted a savage and sustained Commons attack on Mr. Fred Mulley, Defence Secretary, over the Government's proposals to increase defence spending by 3 per cent. in real terms in 1979-1980 and a further 3 per cent. in 1980-81.

Mr. Frank Allaun (Salford E.), one of Labour's long-standing opponents of defence expenditure, accused Mr. Mulley of "showing contempt for the British people and the Labour movement by flouting the election pledge to reduce arms spending and actually increasing it."

There were indignant Tory cries of "Shame" when Mr. Allaun said that, instead of taking this line, the Defence Secretary should tell Dr. Josef Luns, "the ever-demanding and propagandising head of Nato to get stuffed."

The Tories accused the Left-wingers of being "anti-Western" in their views. But, for the most part, the Opposition kept aloof from the battle and allowed full rein for the Left-wingers to pursue their vendetta against Mr. Mulley.

According to Sir Ian Gilmour, Tory defence spokesman, the tougher line taken by Mr. Mulley showed that the policy in favour of further cuts in armaments, contained in the document "Labour's Programme '76," was now a dead letter.

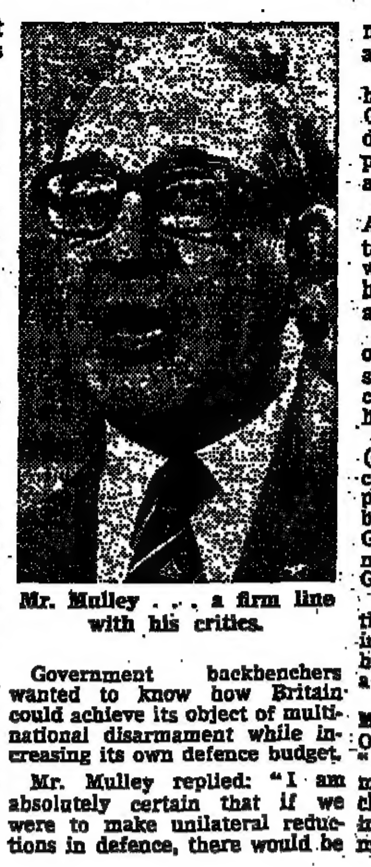
Taking a firm line with his backbench critics, Mr. Mulley reminded them that defence had taken its full share of public expenditure cuts in 1976.

"Now that our economic prospects are improving, it is right that we should plan to contribute to the increase in NATO defence efforts, made necessary by the marked and continuing growth of Warsaw Pact military power."

His remarks merely upset the Left-wing even more, and led to some threats that they would vote against the Government when the defence estimates for 1978-79 are presented.

In his statement on the 3 per cent. increases, Mr. Mulley made the qualification that the rise planned for the year 1980-81 would be subject to review in the light of economic circumstances at that time. No decision had yet been taken about subsequent years.

He explained that, as a percentage of gross domestic product, next year's estimates would be lower than those originally announced for the current year. In 1978-79, they would represent 4½ per cent. of estimated GDP, as against 5 per cent. of GDP in 1977-78.



Mr. Mulley . . . a firm line with his critics.

Government backbenchers wanted to know how Britain could achieve its object of multinational disarmament while increasing its own defence budget.

Mr. Mulley replied: "I am absolutely certain that if we were to make unilateral reductions in defence, there would be no incentive to others to seek a multinational agreement."

Mr. James Lamond (Lab., Oldham E.) complained that the Government was going in a direction exactly opposite to that promised in Labour's manifesto at the last elecion.

Mr. Rober Hughes (Lab., Aberdeen N.) argued that a containment of defence spending would release £1.5bn. for better housing, health, social services and education.

But Mr. Mulley poined out that over the last five years, defence spending had fallen by 4 per cent., while civil programmes had increased by 6.5 per cent.

Angrily, Mr. Hugh Jenkins (Lab., Putney) told him: "In not carrying out the party's election pledge, you are driving a wedge between the party and the Government. Some of us will not be able to support the Government in this course."

Mr. Mulley retorted: "Substantial reductions have been made in defence. In some quarters, it has been argued that too great a reduction has been made."

He rejected criticisms from Mr. Tom Litterick (Lab., Selly Oak) that the Government was "piling armaments on armaments" and was prejudicing its chances of success in forthcoming UN defence and disarmament discussions.

Dalyell suspects move to avoid vote on referendum demand

BY IVOR OWEN

MPs MAY BE denied an opportunity to vote on a proposal that the Government's devolution plan for Scotland should only become effective if approved by at least 40 per cent. of those entitled to vote in the promised referendum on the issue.

This possibility emerged at Westminster last night when Mr. Tam Dalyell (Lab., West Lothian), a leading anti-devolutionist, angrily protested against "manipulation" of the business of the House in a way which would avoid "an embarrassing vote."

He referred to rumours that the Business Committee in charge of arrangements for allocating the limited time available for discussion of the Scotland Bill had produced an amended timetable which would have the effect of preventing discussion or a decision on the attempt to attach a percentage qualification to the referendum verdict.

Under earlier provisional arrangements, an amendment tabled by Mr. George Cunningham (Lab., Islington S. and Finsbury), deliberately designed to test the Government's claim that a clear majority of the Scottish people want devolution, was expected to be debated to-night.

The amendment attempts to insert a provision in the Bill requiring that at least 40 per cent. of Scotland's 3.7m. voters must give a "Yes" vote in the referendum if the devolution plan is to be implemented.

It is thought that a low poll in the referendum would make it highly unlikely that the 40 per cent. qualification would be satisfied.

A further amendment, designed to give the people of the Orkney and Shetland an opportunity to opt out of the devolution arrangements is also likely to be passed over without discussion as a result of the changes proposed by the Business Committee.

The amendment was tabled by Mr. Jo Grimond, the former Liberal leader and MP for Orkney and Shetland.

Mr. Cunningham led an unsuccessful attempt to persuade Mr. Michael Foot, leader of the House, to make an immediate announcement about the amended timetable which the Business Committee was rumoured to have approved.

He was supported by Mr. Dalyell, who bluntly asserted that the changed arrangements might well result in a vote, which would have been embarrassing to the Government, not taking place.

Mr. Foot insisted that the Government was following normal procedure and practice. The report from the Business Committee would be available to-day on the Order Paper of the House. This was the normal form.

Any suggestion that something sinister was taking place — in fact, the Government is in a minority on the Business Committee — would be misleading the House.

When debate on the Bill was resumed yesterday, Mr. Leon Brittan, a Conservative spokesman on devolution, warned the Government against seeking to establish a separate Scottish Civil Service, owing exclusive loyalties to the devolved Scottish Government and controlled by it.

A separate Civil Service, he contended, would put at risk the unity of the U.K. A separate Executive, a separate Assembly, and a separate Civil Service would provide all the machinery and the infrastructure for a separate State.

Mr. John Smith, Minister in charge of the Bill, gave an assurance that the Government was not in favour of establishing a separate Civil Service for Scotland.

The Government believed that there would be clear advantages in having a unified Civil Service, particularly in the opening years of the new Scottish Assembly.

Mr. Smith stated: "A unified Civil Service is likely to be more economical and more efficient. A single service will, at least in the initial years, provide the devolved administration with a wider range of talent and expertise."

The number of people employed in the Scottish Executive would be a matter for the Executive itself. But the salaries and conditions of the integrated U.K. Civil Service would continue to be dealt with in the same manner as at present.

SCOTLAND BILL AND THE GUILLOTINE

Debate on clauses lost and gone forever

BY RUPERT CORNWELL

TO START this article on a cheerful note: the end of the Commons committee stage of the Scotland Bill is in sight. Of course, this is just the sort of frivolous remark which will add to the little war of words as MPs and reporters accuse each other of not giving this momentous constitutional Bill the attention it merits.

The truth of the matter is, though, that the 10 days of committee work have so far provided a pretty uninspiring spectacle. It is the same small group of MPs, mostly passionate opponents of devolution who do virtually all the talking. Invariably, the debate moves away from detailed examination of specific clauses and back to the argument of principle.

The issue is very important, but points of view are too well known by now to arouse much further curiosity. To add to the growing sense of unreality, what we have witnessed is, in many respects, a phoney war. The real battle will come during the referendum campaign in Scotland, probably this summer.

But, as I say, the end is in sight. Yesterday and to-day are the 11th and 12th of the 17 days allotted for the committee and report stages and third reading of the Bill. If Mr. Foot, Leader of the House, goes on allowing two days a week, proceedings should be wrapped up in mid-February.

But it is not really this relentless scarcely-reported progress that has prompted George Gardiner, Tory MP for Reigate and one of the Opposition's most implacable Unionists, to talk about a "Parliamentary scandal" and Francis Pym, shadow Leader of the House, to attack an "unacceptable and unjustifiable" procedure. What angers them is the very mechanism of the guillotine, which inevitably means whole batches of clauses go through undebated.

Those protests came on January 11, the morrow of the worst carnage left so far in the Bill's wake. The previous night at 11 p.m. the guillotine had stopped Mr. John Smith, the devolution Minister, in mid-sentence. Between then and 12.18 a.m. the heads of 19 clauses clattered into the basket. On five of them, the Tories or the Scottish Nationalists forced divisions, but without success. None had been properly and specifically discussed, since the evening had been spent on an amendment which would have given independent revenue-raising powers to the Edinburgh Assembly. Nor will they ever be, since they are "money" measures of the kind which the Lords are barred from changing.

Of the Bill's 83 clauses and 17 schedules, 63 have now been approved by MPs. Of those, two-thirds have passed without discussion.

But these figures, like the complaints which they have generated, are not quite what they seem. Clauses and amendments for consideration are carefully grouped by the all-party Business Committee which looks after legislation going through the House. And individual speeches wander so far that a good deal of the ground is touched upon, if not covered in detail.

Indignation

Nor are there many spectacles to match the synthetic outrage from whichever party is in opposition when a guillotine is announced. No matter that the news could have been predicted weeks in advance, no matter that they would do it themselves in Government: the air is thick with cries of "constitutional abuse," "insult to Parliament," "death of democracy," and so on. Every time, the Government is accused of not allowing enough days for debate.

There is ample precedent, therefore, for the present indignation from the Tory side—all the more so since it looks suspiciously like a deliberate effort to give their inbuilt majority in the Lords the heart to make merry with delaying tactics.

But those who have pleaded in vain with Mr. Foot, Leader of the House, for more time on the Bill, do have a strong case. Many of the legislation's most important parts, dealing with the relationship between Westminster and Edinburgh, have simply gone through by default. The Government has been defeated twice on minor, and largely symbolic, points: the first on its assertion in the Bill's preamble that the unity of the kingdom would not be impaired by the measure, and secondly, on an amendment freeing the Scottish Executive from Whitehall pay policy.

The wider issue is whether a guillotine is the best way of dealing with so complicated a subject. To which one must reply: "In the absence of an alternative, 'Yes'." Without some kind of limit on debate, any controversial constitutional measure would be filibustered to death, even when, as in the case of Richard Crossman's Lords Reform Bill of 1969, the two front benches are in basic agreement.

One big difficulty is the suggestion, made forcefully in the chamber yesterday by Tam Dalyell, that the Government is manipulating the business committee to avoid potentially embarrassing votes. More fundamental problems reside in the form debates take. John Mackintosh, Labour MP for Berwick, and far more convinced a devolutionist than most Government Ministers, argues that too many MPs make "second reading" speeches during the committee stage, wasting time on general dissertations and missing the point at issue.

Another answer might be for the chair to take a much tougher line on verbosity—always a hazard at Westminster. A final possibility would be to break up the daily segments of debate, so that really vital clauses and schedules were guaranteed at least a short debate before a vote.

In the end, of course, one may wonder whether debates really matter much at all. Without the pistol of defeat at its head, the Government will not accede to backbench amendments. Interesting possibilities are scotched as the Government Whips round up their flocks from bars, restaurants and wherever, and shepherd them through the lobby.

It will be a remarkable achievement if the Scotland Bill does reach the Statute Book, whatever its fate at the referendum. For a Government to secure so complicated and controversial a measure largely intact, without a Commons majority, demands Parliamentary management of a high order indeed. The trouble is that it isn't much fun to watch. But if you do like it, then there's the Wales Bill around Easter to look forward to.

Tories seek to counter food prices campaign

By Richard Evans, Lobby Editor

MRS. MARGARET THATCHER and other Conservative leaders sought yesterday to counteract the growing Government campaign that the Tory party should be blamed for higher food prices later in the year.

Both Ministers and Opposition leaders fully realise the value in electoral terms of winning the propaganda battle sparked off by the Government's defeat at the hands of all Opposition parties over the scale of devaluation of the green pound.

Many Labour MPs were already claiming that the Government had led the Opposition parties into a carefully sprung trap, and that the issue of prices could now be developed in Labour's favour in the run-up to a General Election campaign.

Ministers lost no time, after losing their fight for a devaluation of 5 per cent. and conceding 7½ per cent. on selective products, in putting blame on the Conservatives, Liberals, Nationalists and Ulster Unionists. Mr. Callaghan suggested gleefully in the Commons that there should be a monthly Tory price index to show the consequences of the vote.

Mrs. Thatcher countered in a speech to the National Farmers' Union in London by pointing out that the difference between the Government's proposal and the Tories' amounted at most to one-sixth of a penny in the pound on the cost of living. "And this from a Government which has already devalued the pound in your pocket by 46p."

She argued that the defeat was not only about the green pound. It was an expression of no confidence in the Government's agriculture policy. The Tories believed that better prices for farmers, albeit at the cost of slightly higher food prices, were in the best interest of producers, consumers, and the nation.

"The Minister (Mr. John Silkin) should learn that you do not feed a country by ruining its farmers. Our farmers are being asked to compete, not on equal terms, but against heavily subsidised competitors, and if our farmers are squeezed out of business now, what will happen later on?"

The theme was taken up by Mrs. Sally Oppenheim, Conservative prices spokesman, who argued that it was "sanctimonious humbug" on the part of the Government to pretend that the difference between a 5 per cent. and a 7½ per cent. devaluation would increase prices significantly.

Mr. David Steel, the Liberal leader, whose party also voted for the higher devaluation, argued that to let sections of farming go into depression for the short-term aim of picking up votes was a gravely damaging policy.

Full consent on Belize promised

THE PRIME MINISTER pledged in the Commons yesterday that there would be no decision on the future of Belize without the "full consent" of the people of the Central American colony.

MPs from all sides had urged him to deny a newspaper report that the Government planned to "carve up" the country between Guatemala and Mexico.

Mr. Callaghan said that part of the report was totally untrue and the rest merely "mood music." There was no need for alarm.

Liberal foreign affairs spokesman, Mr. Jeremy Thorpe, asked for an assurance that no part of the existing country would be ceded to Guatemala or Mexico.

Mr. Callaghan replied: "It would be improper for the House of Commons to make a declaration on this matter." It was important to secure Belize's borders and obtain a proper peace treaty with Guatemala before independence.

HMS Bulwark role announced

HMS BULWARK is to be made fully operational again later this year and deployed in a primarily anti-submarine role, Mr. Fred Mulley Defence Secretary, said in the Commons yesterday.

He explained that the decision had been taken as part of the Government's response to the call for "improved readiness" in NATO forces.

Lipton tribute by Premier

LABOUR MP Mr. Marcus Lipton was praised by the Prime Minister last night for his "faithful and assiduous" membership of the House of Commons.

"His whole life has been based upon service to others," Mr. Callaghan said at a ceremony in Lambeth marking Mr. Lipton's retirement at the next general election.

Mr. Lipton, 77, has represented the constituency since 1945.

Crossbow plea rejected

A CALL for crossbows to be licensed was rejected by Lord Harris of Greenwich, Minister of State, Home Office, in the Lords yesterday.

Viscount Massereene and Ferrard (C) said crossbows were tailor-made for criminal activities, as well as being highly dangerous in the hands of irresponsible or young people.

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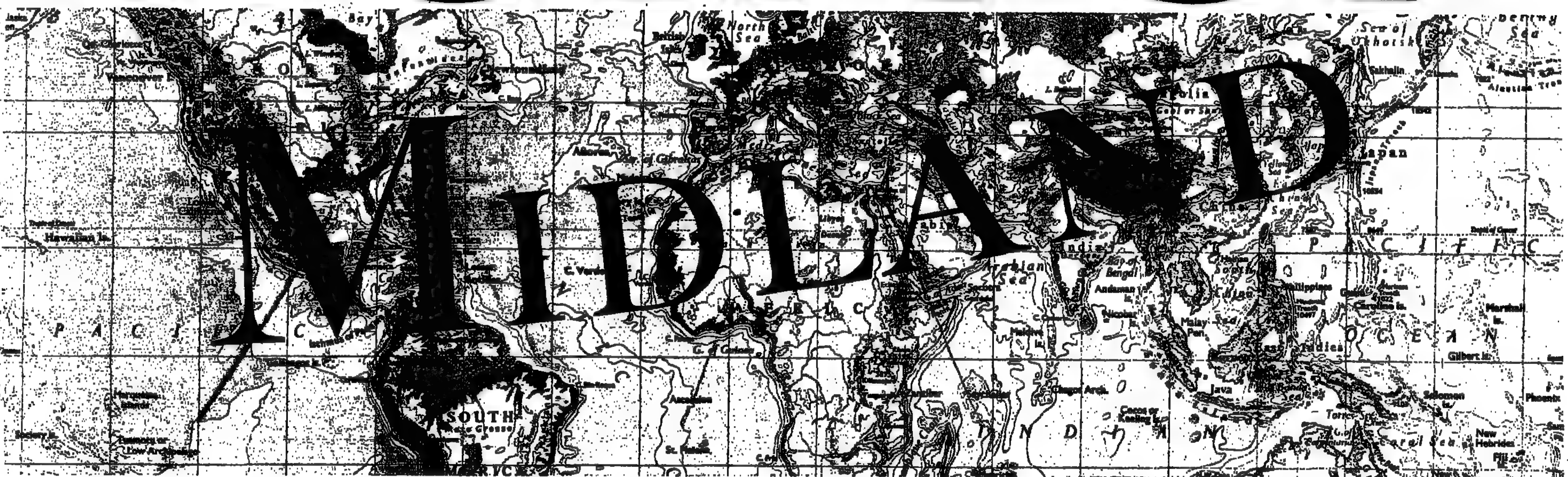

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echnical Page

TED BY ARTHUR BENNETT AND TED SCHOETERS

ENERGY

ˈxtracts much more eat from fuels

ˈWLY. but surely, years of ˈk in Britain on a method of ˈacting much greater amounts heat from fossil fuels by ning them in a granulated ˈn, for instance, within beds sand kept in constant motion air blast—fluidised beds—is ˈing off.

ˈ major U.S. boiler plant nufacturer, Johnston Boiler of Ferrysburg, Michigan, has ned a licence for the use of ˈ technology with Combustion stems, a company formed some ıe ago by National Coal Board, ˈtish Petroleum and the ˈional Research Development rporation to exploit expertise the techniques acquired by the ˈtners over the years.

National Coal Board itself is the process of building a ˈge fluidised demonstration ˈnt at one of its sites and a ˈL licensee, Babcock and Wilˈx, has a powerful demonstraˈn plant of its own in operation Renfrew.

Johnston Boiler tried out the ncept during a preliminary preach, building a 10,000 lbs/hr ˈom raiser at Ferrysburg, ˈich has been operating for six ˈnths and has been used to ˈ out firing by gas, coal and ˈl. The company is now offerˈ a range of multi-fuel boilers roughout the U.S., using the ˈidised bed principle developed Britain.

The bed is made up of sand, hich constitutes over 90 per ˈnt. of the material present. ˈis sand is fluidised by forcing ˈrge amounts of air through ˈnts in the bed base by means ˈ powerful fans. This causes ˈe sand particles to dance up ˈd down as if they were moleˈles in a liquid. The bed is ˈought up to temperature by ˈjecting burning fuel oil and ˈen the user may switch to ˈractically whatever fuel he ˈants to use. This can be granuˈted coal, tarry residues from ˈl refinery operations, municiˈal waste, high carbon refuse ˈom slaughterhouses and even ˈaterial recuperated from old ˈolliery tips.

As important as the device's bility to burn almost anything s the fact that boiler tube corroˈion is very greatly reduced since he tubes in many designs are ˈmmersed in the bed and thus ˈxposed to a reducing atmosˈphere.

It is this immersion and the ˈonstant agitation of the bed with its burning fuel particles ˈhat give the improved heat transfer with recuperation of as much as 80 per cent. and more of primary energy.

At the same time, when particularly sulphur-rich fuels are being burned it is a relatively simple matter to add to the bed such materials as crushed limestone which neutralise excess fumes. Combustion is virtually complete—so there is little residual carbon to make black smoke.

The Johnston licence is for atmospheric pressure beds. This is the type at Renfrew operated by Babcock, which secured design contracts during 1977 for four fluidised bed plants with boilers ranging from 50,000 to 300,000 lbs of steam per hour for the State of Ohio.

NCB, at Grimethorpe Colliery, is building a deep bed plant to operate at 10 bar absolute (say 10 times atmospheric) as managing agent for the IEA. This unit will work at 850 degrees C and is intended to prove the concept.

At the same time, Babcock last year signed an agreement with Stal-Laval for the development and marketing of pressurised bed plants driving gas turbines which would use the hot gas from the bed after passing it through a double cyclone.

This project is understood to be moving ahead very satisfactorily and the partners do not appear to think that blade erosion from any fly ash which might be carried through will be a problem.

More from Combustion Systems on 01-584 8352: 195 Knightsbridge, London SW7 1RD.

● PERIPHERALS

Alternative suppliers merge

MEMOREX is absorbing the Telex organisation to form under one management a large group within the expanding plug compatible equipment suppliers' group which, all over the world, is offering IBM computing equipment (mainly) users alternative sources for most of, if not all, the hardware units they employ.

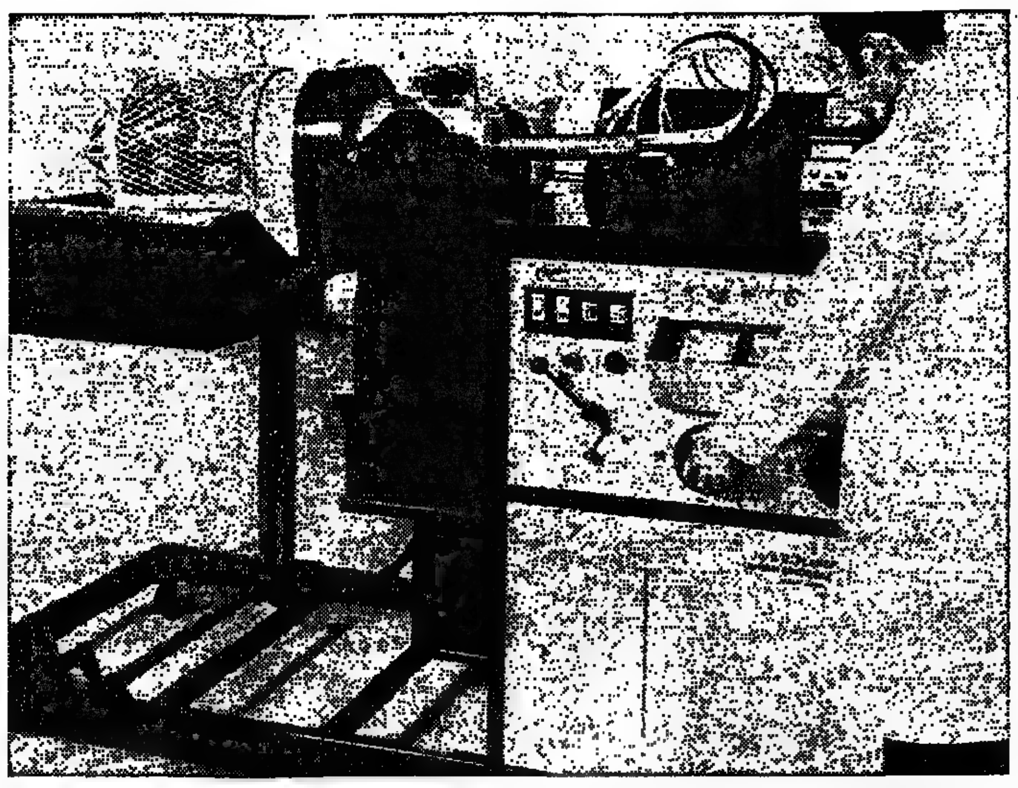
The Memorex acquisition of Telex means, in Europe, that a group is now being formed which will have an annual turnover of about £100m., of which around £20m. will be contributed by Telex.

In Britain, Mike Kitching emerges as the head of the merged operations.

The new organisation will have a formidable array of equipment to offer since practically every item previously marketed by the two companies is being retained by Memorex new style.

Both types of solid state memories are supported as are ISS and Memorex discs, displays and controllers and the Telex tape systems as well as its new small printer. In addition, Memorex is making the necessary arrangements with Lockheed for the promotion of the latter's small System Three computer sold in Europe by Telex.

Combined sales and support staff in Europe comes to about 1,000 and the new group is likely to give ITT Business Systems a run for its money when competing at IBM sites.



CHEMICAL synthesis of complex catalysts is not an easy task by ordinary methods, but vapour synthesis developed in Britain make the control of the end-product relatively simple to achieve. The plant shown here is the most recent design intended for the production of new mixed catalysts, primarily. Evaporation of the refractory metals which frequently are constituents is by electron-beam heating in a cooled reaction chamber into which, say, an organic compound would be introduced as a vapour. The two materials are thus presented to each other in a highly reactive state and conditions for synthesis are at an optimum. The equipment here has two readily interchangeable high-power evaporation sources which can work simultaneously. This means users can evaporate two refractory metals, two lower melting group metals or one of each at the same time. Newly-designed 3.5kW electron-beam sources have the ability to evaporate tungsten at a rate of several grams per hour for a period of hours. Speed of rotation and angle of the ten-litre reaction flask can be varied to suit the type of catalyst being made or the support system chosen. The resistance sources used in conjunction with lower melting point materials have a power of 1.7 kW each. Earlier generation synthesis plants are working in most European countries as well as North America and Japan for the production of catalysts, novel organometallic compounds that it would not be possible to make by other methods and in research. More from G. V. Planer at Windmill Road, Sunbury-on-Thames, Middlesex. Sunbury 86262.

● COMPUTING

ICL machine near £100m.

ORDERS FOR three of its 2960 computers just disclosed by International Computers bring the total order book for these machines, first announced in mid-1976, to not far short of £100m. of which a large proportion is for overseas delivery.

Latest contracts include one for £1m. placed by Safe Computing, a Midlands services company which is to have a 2960, as well as an extensive terminal network and a System 10 supporting a software services effort.

The 2960 takes over from an ICL 1903A and will provide the communications capabilities Safe Computing needs to support its planned terminals network.

Milk Marketing Board is to have two of these machines in an array worth £1½m. for installation at its Thames Ditton, Surrey, headquarters in about a year.

The Board's present 1904A is operating round the clock in support of many applications, the primary one of which is the despatch of monthly milk cheques to more than 50,000 dairy farmers, involving payments of better than £1bn. a year.

More and more, the Board's data processing facilities are being relied upon for the extension of services such as milk recording, farm costing, milk yield prediction, etc. Information gathered concerning around 1m. cows in the recording scheme is used to determine the best breeding bulls, for example.

The Board is to use ICL's IDMS for the establishment of a database system and proposes extensive use of data communications.

More on 783 7272.

● CONFERENCES

Discussing pollution

BECAUSE THE rubber and plastics industries use or produce complex mixtures of materials, some of which may be toxic, special precautions must be taken, and environmental research, monitoring and control procedures are necessary. This has led to a decision to hold a symposium on air pollution monitoring.

Sponsored jointly by the Rubber and Plastics Research Association (RAPRA), and the contamination control group of the Society of Environmental Engineers, the symposium, directly related to the rubber and plastics industries, will be held at RAPRA on March 8.

Objectives will be to review the legal requirements; illustrate the approaches taken by the industries to the monitoring and control of potential pollutants; describe the facilities available, and the need for environmental research programmes of common interest; and provide practical assistance in the formulation of monitoring and control programmes.

Details from RAPRA, Shawbury, Shrewsbury, SY4 4NR (09394 383).

● MATERIALS

Thin wall square tube

LAUNCHED BY BSC Tubes Division is a range of thin-wall rectangular hollow sections, in hot finished quality. They supplement the BS 4848 Pt. 2 metric range made in the U.K. only by BSC.

The Corporation says the new sizes, which are generally below 3mm thick, provide a wider range of sections for use in structural and mechanical applications where the combination of high strength and light weight can be used to advantage.

More from Tubes Division, Corby, Northants. (05366 2121).

● SAFETY

Meets fire fighting standards

TWO RANGES of dry-powder extinguishers have been launched by Nu-Swift International. All the models have been granted approval by the Fire Offices' Committee, and it is believed these extinguishers are the first to meet the new standard BS5423:1977.

Called Multy-Purpose and Ultra-B, the first is for general use, and the second particularly for Class B and C fires (flammable liquids and gases) with or without an associated electrical risk.

The Multy-Purpose extinguishers can also be used to deal with Class A fires (carbonaceous solids such as wood, fabrics, papers, etc.), and with a mixture of the different types of risk.

Powder is ejected using carbon dioxide at 200 psi, and according to the size of unit (from 3 to 10 kg capacity) operation is for 10 to 21 seconds. The nozzle has a squeeze trigger which enables the flow to be stopped for brief periods after the striker knob has been operated.

Tested against the new standard, three of the extinguishers are rated 233B—this means they will put out 233 litres of ignited aviation spirit in a circular tray with a surface area of 7.32 square metres.

The largest extinguisher is rated 43A, which means it will put out a substantial wood fire.

In the general purpose extinguishers the powder used combines chemically with the fuel to prevent combustion. In the Ultra-B type the powder expands in the fire to produce a large surface area, on which the fuel is adsorbed, inhibiting combustion.

More from the maker at Elland, West Yorks., HX5 9DS (0422 72852).

● COMPONENTS

Visible in sunlight

PUT ON the market by Hewlett Packard are light emitting diode units designed for users who need to be able to read digital displays in high ambient light levels at distances up to 20 feet.

Red and yellow versions are available, and these seven segment numeric displays are supplied in two sizes, 7.6 and 10.9 mm. According to the company they can be read easily in ambient lighting as bright as 10,000 ft candles when used with proper filters. Viewing in bright sunlight is possible, for the first time according to HP, so that in this kind of application the LED now becomes competitive with other displays, including liquid crystal.

Light output of the units, which are designated HDSP 3530/3730 (red) and HDSP 4030/4130 (yellow) is typically 2,300 microcandles per segment at 100 mA peak, with an average of 20 mA.

More from King Street Lane, Winnersh, Wokingham, Berkshire RG11 5AR (Wokingham 784774).

● TRANSPORT

Loco design for U.S.

AMTRAK has signed a contract with the Electro-Motive Division (EMD) of General Motors for the building of the first series of a fleet of high-speed, lightweight electric locomotives. These will be used to haul trains of up to eight cars at speeds up to 200 km/h (120 mph) in the Northeast Corridor, between Boston, New York and Washington.

The first order is for eight locomotives at a cost of $22m. However, the total AMTRAK programme calls for 30 of the locomotives, which will cost $77.9m. Funding for the entire programme is not available in the 1978 fiscal year. AMTRAK will request the additional $55.8m. for the 1979 fiscal year, which includes money for escalation, spare parts and contingencies.

The new locomotives are based on the Rc4 design by ASEA of Sweden, which AMTRAK tested successfully last winter. EMD, licensee in the United States for ASEA electric locomotive technology, has obtained a licence to build a locomotive similar to the ASEA unit but with more power and higher speed. The AMTRAK locomotives will have a tractive effort of 23.8 tonnes starting and 13.8 tonnes continuous and output at the rail of 8,400 h.p. starting and 6,100 continuous.

هكذا من الأصل

The Management Page

EDITED BY CHRISTOPHER LORENZ

Keeping abreast of company schemes

BY ERIC SHORT

PENSIONS and BENEFITS

AS AN employer, you have been running a company pension scheme for your employees for many years; and you have made periodic adjustments to the benefits provided. The latest improvement about to be made is in order to conform with the contracting-out requirements of the Social Security Pensions Act 1975.

But how does your benefits scale compare with that provided by other companies? How do you check trade union claims that it is very much below average?

There is a complete dearth of this type of statistical information from official sources.

However, employers need not be left completely in the dark. The National Association of Pension Funds has recently published its Survey of Occupational Pension Schemes for 1977, the third in its series. NAPF, the trade association of company pension schemes large and small, self-administered and insured, has taken upon itself to provide as much information on pensions schemes as it thinks desirable.

The NAPF collects the information by sending out a comprehensive questionnaire to its members which asks various details about the schemes under company control. The returned forms are analysed and the findings published. Completion of the form is entirely at the discretion of each company, some of the findings may be questionable since companies with poor pension schemes will probably not comply with the NAPF request.

Nevertheless, the findings are a very useful guide to what is happening to pension schemes, especially if a comparison with previous surveys is made. The NAPF has already started on its planning for the 1978 survey which should be even more valuable, because companies will by then have done all the adjustments required by the 1975 Pensions Act.

One question which is probably uppermost in any company's mind is how much other companies spend on pensions. It will be recognised that pension schemes are a severe drain on cash flow and the latest improvements will send the bill even higher. The tables included in the NAPF survey throw light on these points and also reflect an interesting trend. This is that employers have been spending very much less on pensions for manual workers compared with other staff because the benefit structure for works schemes is in general inferior.

The tables in the report also include a comprehensive analysis of ill-health benefits, death-in-service payments and payments to widows. This shows that only 26 per cent. of schemes paid a lump sum on death, plus a widows' pension and a return of members' contributions—the most generous benefit that can be provided. But in 62 per cent. of cases a widow's pension was paid, which is the most important benefit should a member die in service, with or without some other form of benefit.

Another area of vital interest is where pension schemes are investing their funds. The report shows that among self-administered schemes, portfolios comprised 36 per cent. equities, 28 per cent. fixed-interest, 19 per cent. property, 6 per cent. non-sterling securities, 5 per cent. cash and 5 per cent. others.

NORMAL RETIREMENT BENEFIT BASIS *

	Staff schemes %	Staff schemes %	Works schemes %	Works schemes %	Combined schemes %	Combined schemes %	All schemes %	All schemes %
Final or final average salary	95	(95)	53	(85)	96	(99)	88	(93)
Career average salary	1	(–)	9	(6)	1	(–)	2	(2)
Salary grades	–	(–)	5	(–)	1	(1)	1	(–)
Flate rate	1	(–)	24	(7)	–	(–)	4	(2)
Other basis:	4	(5)	10	(2)	3	(–)	4	(2)

* The figures in brackets represent the percentages obtained by relation to the number of members rather than the number of schemes. These figures show a significant change in the case of Works schemes.

ANNUAL COMPANY CONTRIBUTIONS (CONTRIBUTORY)

Average annual contribution based on a salary of:—		Staff schemes	Works schemes	Combined schemes	All schemes
£1,500 per annum	£	159.05	83.40	139.90	140.65
	%	10.60	5.56	9.33	9.38
£3,000 per annum	£	339.20	168.60	302.45	296.38
	%	11.31	5.62	10.08	9.88
£5,000 per annum	£	570.25	288.00	526.25	507.50
	%	11.40	5.76	10.52	10.15

COMPANY (NON-CONTRIBUTORY)

Average annual contribution based on a salary of:—		Staff schemes	Works schemes	Combined schemes	All schemes
£1,500 per annum	£	270.68	106.25	226.39	228.92
	%	18.04	7.08	15.09	15.26
£3,000 per annum	£	562.95	208.05	477.72	478.23
	%	18.76	6.94	15.92	15.94
£5,000 per annum	£	922.55	353.50	815.01	801.74
	%	18.45	7.07	16.30	16.03

Improvement

The one analysis lacking in this survey is an appraisal of the investment return on the pension fund portfolio. Although this would have been quite a task, it would have been a very valuable one. Such comprehensive analysis on investment returns are made each year by leading stockbrokers, including Phillips and Drew and Wood, Mackenzie, and the major consulting actuaries, such as Bacon and Woodrow and R. Watson and Sons.

A complete description of these services and their usefulness would require a separate article. But they are a valuable tool for pension fund trustees and employers in assessing how well the fund is doing on its investment strategy. After all, it is the company which will have to make up any shortfall.

Perhaps the NAPF will include an analysis of performance next time. Meanwhile perhaps the Occupational Pensions Board should be looking beyond April as to its functions and consider whether it should not produce statistics of this sort. After all, the data will be readily to hand and it will cover all companies contracted-out.

** Survey of Occupational Pension Schemes—1977 from the National Association of Pension Funds, Prudential House, Wellesley Road, Croydon CR9 9XY. Price £3.50 (non-members).*

The publisher that backed Britten

TRADITION can be profitable, as Boosey and Hawkes, the music publisher, is well aware. When the last night of the Sir Henry Wood Promenade Concerts draws towards its close, and both orchestra and audience break into an uninhibited rendering of Land of Hope and Glory, Boosey can reflect happily on the fact that it owns the copyright to this rousing piece of Elgar's music.

But there is another side to the coin. There cannot be many non-manufacturing companies prepared to wait for ten years or more to break even on an investment, let alone to start earning a really good return. Serious music publishing is very much one of them. Patience is a pre-requisite of financial success; without it a lot of money, as well as good music, would probably be lost. Publishers must also accept that composers, if they are good, will expect enduring loyalty and support while their music is awaiting widespread public acceptance.

Boosey is one of only a handful of companies throughout the world which publishes serious twentieth-century music and as such has considerable influence on which composers will ever have the chance of emulating the success of people like the late Benjamin Britten, the copyright of most of whose works is owned by Boosey.

Above: Mr. Alan Clapham, chief executive of Boosey and Hawkes, and Mr. Tony Fell, managing director of the music publishing division. Top and bottom right: The late Lord (Benjamin) Britten and Sir Edward Elgar. Boosey holds the copyright on some of their works.

Trends

But Boosey's membership of this potential oligarchy does not mean that it can easily manipulate the market to the advantage of its own composers. Other bodies, such as conductors and, most important, the BBC, have the greatest influence in the U.K. on what music will be performed, and when. Although serious music is not susceptible to the frenetic swings in fashion seen in the pop music world, trends do change and Boosey, like other publishers, must therefore remain keenly aware of which way the breeze may be blowing.

In the calm atmosphere of its Regent Street headquarters in London Boosey gives the impression of being far removed from the world's hurly-burly, laying plans for a distant future. Yet there is an undercurrent of activity which reflects the unusual demands that are placed upon its management.

For Boosey, the future must take account not only of the next five years or so, but also of the time when copyrights run out and need to be replaced by new ones if continuity of income is to be ensured. Copyrights can expire anything up to 50 years (and occasionally 70) after the death of a composer. Such is the prospect with Britten's music. The importance of forward planning is underlined when several major copyrights can expire in quick succession. For instance, 1984 will see the expiry of several of the Delius and Elgar copyrights (including Land of Hope and Glory).

It might well be argued that Boosey therefore has time on its side, but this would be denied by the company. For a start, good new composers of serious music do not grow on trees. According to Boosey, two or three years may elapse before it finds someone it feels is worth taking on. And then there is no guarantee of how prolific he will be. Some produce three pieces a year; others may only compose one work every two years.

A further point to contend with is that someone who is a slow producer may compose a large orchestral piece. This is not only expensive to publish, but it will take much more time and effort to earn a return on it than on a small ensemble composition.

So why does Boosey not concentrate on those composers who are prolific and who produce pieces which do not require a large initial investment? Mr. Tony Fell, managing director of Boosey and Hawkes Music Publishers, says the company's credibility and good name would be endangered in the music world if it did not nurture the slow developers and, anyway, these people "may make the best returns in the long term." That is an important point for a company which must aim to spot composers whose music will stand the test of time.

To some extent Boosey reduces the risk of signing on a dud composer by concentrating its attentions on people who already have something of a track record—a practice for which it makes no apology, even though this means that it is not supporting budding composers in their very early stages, at music colleges and elsewhere; Boosey seems quite happy to leave that to other publishers.

Before taking on a composer, Boosey will make a thorough examination of his (or her) work and will have lengthy discussions about his development so far. It will also consider which direction he is likely to take in the future, in terms of both style and scope. The combined experience of Tony Fell and his colleagues is obviously of crucial importance here.

To keep in touch with music trends requires a continuous round of music-going: festivals, concerts and records, as well as talks with conductors and [illegible]noscenti. This is important [illegible] only for research, but [illegible] key part of Boosey's [illegible] marketing. To promote its [illegible] composers does not entail [illegible]barding people with scores, [illegible] Tony Fell. A careful selection of targets is necessary if Boosey is to avoid lobbying a conductor with a piece of music which [illegible] in a style he is known to [illegible].

The level of promotion [illegible] behind each composer [illegible] out on the down-to-earth [illegible] of assessing each [illegible] likely return and then apportioning a corresponding percentage of the total resources [illegible] development budget. As musical works are completed and copyrights acquired they [illegible] immediately written off against revenue. Thus, all [illegible] in Boosey's vast library—[illegible] where music is hired out [illegible] orchestras and other musical groups all round the world—[illegible] included in the company's balance sheet at written down value, whatever their likely long-term worth.

Another key factor in the [illegible] Boosey keeps in touch with developments in the music world is its international branch network which, it claims, is the most extensive of its kind among serious music publishers. [illegible] the U.K. operation, the most important element is Boosey and Hawkes Inc., the New York subsidiary which is the only [illegible] company other than the parent to commission works and [illegible] on new composers.

Serious music is not the entire Boosey business, although it is the most important element, accounting for over three quarters of revenue from music publishing. The balance is [illegible] music and—in the last few years only—pop music.

Nicholas Leslie

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Closing down a company

A small family company has now ceased trading, leaving net assets with all debts paid of about £2,000 in the bank. In addition we are entitled to claim a refund of £350 previous tax paid due to losses to the date we ceased trading. As I am over 65 and own 80 per cent. of the company I understand that on a disposal of the shares there will be no tax on any gain, but I anticipate difficulty in selling the company. If we liquidate the company, I understand I can appoint myself liquidator. Should I do so? Alternatively can the directors resolve to pay out the £2,000 to themselves as shareholders on the basis that no funds are required for trading? In that case could we claim the tax refund?

You appear to know so little of tax and company law that we wonder whether you are wise to try a do-it-yourself liquidation, despite the fact that the company's funds are fairly modest. Perhaps a talk with the company's accountant is the best move, to give you an idea of the basic principles.

The £350 tax refund presumably relates to what is generally called a terminal loss claim; it is related to the cessation of trading and it is not affected by the liquidation question. However, liquidation (fairly soon) is almost certainly the solution to your problem, for at least two tax reasons:

(i) a distribution out of the company's assets, otherwise than in the course of liquidation, would be taxable as income;

(ii) delay between the cessation of trading and the distribution of the cash in the course of liquidation could lead to forfeiture of the capital gains tax exemption which you have qualified for, generally called retirement relief.

In 1976, the Inland Revenue announced that, by concession, they will generally give retirement relief in cases like yours, provided that the lapse of time between the cessation of trading and the distribution of the company's cash by the liquidator does not run to three years.

Uncollected goods

I repair sewing machines and have had several of them left on my hands by customers. Can I sell them?

Provided you display a notice pursuant to the Disposal of Uncollected Goods Act 1952 on your premises you can sell goods which remain uncollected after 12 months from your having notified the customer in writing that the goods are ready for redelivery to him; and having given at least 14 days' notice of your intention to sell the goods. The sale should normally be at public auction. If you do not yet have a notice under the Act displayed on your premises you should obtain and display one; but you cannot sell goods deposited with you before the notice was displayed.

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

,OMBARD

Worry over an anniversary

BY ANTHONY HARRIS

BROKERS, however influential they may be, do not usually celebrate the anniversaries of any advice they have offered to the Bank of England in the past, especially when that advice seems to have been flatly rejected. The outburst this week from Greenwells, which has attracted so much attention, is at first sight difficult to explain. After all, they have said it all before, and in the years since they first called for a radical form of monetary policy, a lot has happened which ought to have made them happy. Monetarism is holy writ, the policy has been effective, and the Bank of England has even launched one security, the Tapter, which was a Greenwall invention.

However, one recent event did upset the market. The market itself—and by some accounts, Greenwells in particular—was widely blamed in the City for the decision to raise minimum lending rate a few weeks ago. Some people thought the rise was unnecessary, and the fact that it is subsequently falling again has reinforced the feeling that panic originating in the gilts market had something to do with the decision.

Ingenious

Greenwells rehearsed their basic criticisms of the system partly to show that they are not guilty—and the explanation is certainly ingenious. The trouble, they say, is that both the Bank of England and the gilts market learn the main facts about the money supply at almost the same time. The few days that pass between the clearing bank figures and the money supply figures are especially crucial. This is a period when the Bank knows the money supply when the gilts market is only guessing at it, but while the Bank is deciding on any policy changes, the gilts market is getting ready for any changes it expects. When it marks prices down ahead of a rise in rates it looks as if it is putting pressure on the authorities, but in fact it is simply guessing right.

It is hard to know whether to believe this disclaimer: I find it hard to imagine the Bank would have raised MLR so far if it had not been for the need to impress the market. But for the future, there is no need to argue. Greenwells suggest that the market is learning all the time, and may soon be reacting to events so far ahead that it really does put pressure on the Bank: for the nub of the thing, of course, is that when the market refuses to buy stock, it can actually cause the money supply to get out of control. This criticism must be only too familiar to readers of this column.

The radical reform suggested by Greenwells would certainly get rid of the basic weaknesses they attack, but it is not the only possible starter. First of all, as they suggest, a simple change from M3 to M2 in defining the monetary targets would do a lot to help on its own. The change would exclude large certificates of deposit, and since the institutions tend to put their uninvested funds in large CDs their hesitation would no longer directly inflate the money supply.

Not so simple

The radical route involves much more. A system of controlling high-powered money is very straightforward in theory—though experience in the U.S. suggests that the practice is not quite so simple. In this country, however, it would mean quite an upheaval in the City. Short gilts and Treasury Bills would no longer be reserve assets for the banks, which would leave the discount houses looking for a new role. The overdraft system, which leaves a large unknown factor between the base and the actual money supply, might also have to go. A changeover would cause an alarming blip in the money supply as previously concealed liquidity was brought into the open.

You can see, then, that the Bank of England may have some reason for cold feet about the Greenwells scheme. I cannot, of course, explain their reluctance to take up the much simpler suggestion I have often made in this column—the issue of indexed stock to sell to investors who appear to be sated with the fixed interest variety.

However, as soon as one makes any suggestions at all one is joining in a rather dangerous game; for there is no more effective way to create a funding crisis than to cast convincing doubt on the working of the present system. Anybody who makes such criticisms risks being accused of rocking what is a highly unstable boat, and perhaps that is in a way an advantage of the system for the authorities. Such fears will never silence Greenwells, though, and I hope their anniversary proves a happy one.

Two colours are better than one

GARDENS TO-DAY

BY ROBIN LANE FOX

IS THERE MORE to gardening than growing your plants as well as possible? I like to think that there is, and the further skill is one that can never be fully mastered. *Plants must be placed,* not merely potted up at the proper season. Some colours make the best of each other. Leaves and shapes can be combined to impress the eye. Every year, I look out for groups that seem to me to be particularly favourable. No two gardeners will agree, but behind their disagreements there are still some plants which will go with almost anything. Those who like strong colours are advised to consider them.

For 20p or so, packets of the tall annual Mallows, listed as Lavatera and Malope seem to me to be excellent value. Despite the seed catalogues which now urge action, do not hurry to sow these hardy plants. They do not require heat or a greenhouse and can be sown outside in early May. They grow to a height of 4 ft and a similar width by late August. When they flower, you cannot overlook them because their colour is strong, shocking pink for Lavatera, crimson-rose for Malope. Loveliness and Crimson King are the best varieties. *A packet will give you about 50* plants even if you are a hesitant sower. How, though, do you merge these strong colours into the garden?

It seemed to me last year that Lavatera Loveliness was twice as lovely because it was combined inadvertently with roots of the perennial Baby's Breath. Perhaps it is the latter name which causes fussy gardeners to shy away from it. Perhaps, too, it has suffered by finding a place in vases which make too free with ferns and top-growth of asparagus. But it seems to me to be invaluable. Those clouds of small white flowers are held so thinly on such delicate stems that their lightness takes the edge off any strong neighbour. Perennial white Gypsophila, as it is called, will last for years if you buy a few roots, avoiding the annual forms which are less impressive and have to be replaced each year. It tends to stand up to less of a height in late summer than your catalogues may suggest. Put it, *therefore, among the shocking* pink Loveliness and in front of it. The match sounds too common to be tolerable, but each plant shows the other off splendidly. In August they are badly needed.

The purple-red and crimson-rose of the similar Malope is less alarming. But it borders on the colour which has bothered gardeners for years, bold magenta-red, a colour which I believe that I can now settle. Who wants magenta, you may wonder? But it is the colour, of course, of the admirable Flower of Jove, another perennial plant which can be raised by the dozen from cheap seed without any greenhouse. *Lychnis Flos-Jovis,* its full name, is the one easy plant which combines grey-white leaves and stems and small *open-eyed flowers of a brilliant* magenta. Connoisseurs hunt down the pale pink and white flowered varieties thinking them just right for their pastel-coloured borders. I disagree with them. Plain, violent Flower of Jove seems to me the best, and it will seed itself freely wherever you plant it. I have had plants hanging from a dry wall whose grey-yellow stone did something to moderate their colour but another flower would be a better companion. I have now found a good one.

Pale yellow and magenta may sound an unlikely pair, but if you matched the Flower of Jove with a particular variety of the Yarrow, or Achillea, sold only as Moonshine, you will see that there is sense in it. So, too, the taller *crimson-rose* Malope would go with a clear pale yellow Day Lily, a true Lily like Green Magic or clumps of a pale lemon Evening Primrose. The Yarrow, naturally, has those flat heads of flower, like the wild white forms which are now so abundant in hedgerows. Moonshine is not tall, two feet or so and has a pleasing grey tinge to its finely cut leaves, a fit match for the grey leaves of the Flower of Jove. You cannot raise Moonshine from seed, but you can buy it from Bressingham Nurseries, Diss, Norfolk.

It may seem odd to see blue as a strong colour, but in a fine Campanula called Glomerata, nurseryman's blue is in fact a deep indigo-purple. This is an excellent small carpeting plant, far too seldom planted. Its thick heads of deep strong violet stand on short stems about a foot high. The flowers are bunched thickly in clusters whose texture is like paper. In early summer, their heads are extremely bright: you can split your first plant into many after a year as it runs easily, blocking big, if not little weeds. But the colour is a bright one, half as fine in isolation as when combined with a suitable neighbour. Last year, I massed it with the excellent low, white Viola, the one called Cornuta alba on whose long season I have already written here. Clear white and deep violet are twice as conspicuous together.

There is a white form of Glomerata which would also be a possible partner, though its effect is a little less neat than the Viola's. A big clump of these two colours, grouped on their own, would be spectacular. Neither is difficult, but those who recognised that good gardening is not only the handling of difficult plants will see the art in this combination. Two, in the garden also, are a better effect than one.

Beige Prince can do the extra

RACING

BY DOMINIC WIGAN

BEIGE PRINCE, who sprang something of a surprise when easily disposing of the long odds-on Rough and Tumble and his own better-fancied stable-mate Physicist at Leicester a fortnight ago, looks set to follow up at Folkestone to-day.

Josh Gifford's French Beige eight-year-old, among the runners for the three-mile Brede Novices Chase, was running on strongly at the end of his 2½-mile Leicester race, the Wymeswold Novices Chase, and I have little doubt that this afternoon's extended trip will suit him.

If this is so, he ought to prove capable of justifying the confidence of his trainer, who saddles him in preference to Modesty Forbids, Physicist, and Toureen.

In the belief that Rough and Tumble may have found the 2½ miles at Leicester just beyond his optimum trip in particularly holding ground, I am prepared to give him another chance in the slightly shorter Hurst Green Chase.

Here the handsome Tenterhooks gelding, rated one of Uplands' most promising representatives at the start of the season, could prove a cut above the David Morley runner My Captain, to whom he concedes 24 lbs.

Winter and Morley could also be closely involved in the business-end of another race, the 2½-mile Robertsbridge Hurdle.

Here Britain's champion trainer for six of the past seven seasons relies on Ramblix, while Morley, whose string has yet to find its form this term, suddles Tragus.

My narrow preference is for the last-named, who has recently shown that a return to form is imminent. Tragus, a son of that remarkable sire, the French Derby winner Tanerko, will relish any further rain.

The second edition of Ireland's *Sean P. Graham Racing Annual*, which proved a notable success when initially produced last year, is again with us, priced at £1.90.

Edited by Tom MacGinty and published by Aherlow of Dublin, the annual is available in this country through W. H. Smith and Sons.

This edition, which covers 1977-78 and pays equal attention to both National Hunt racing and the Flat, contains a number of interesting studies: notably a fascinating profile of Martin Molony by Ireland's most recognisable commentator, Michael O'Hehir.

Other interesting characters profiled include Adrian Maxwell, Michael Kauntze, Tommy Stack and Mick Connolly.

For many racing enthusiasts, the most fascinating piece in the 240-page book will be Vincent O'Brien's comments on Try My Best and a number of other Ballydoyle inmates whom he expects to make the grade this year.

FOLKESTONE

1.15	Baroncroft
1.45	Extrovert
2.15	Rough and Tumble***
2.45	Tragus*
3.15	Beige Prince**
3.45	Sir Bountiful

CARLISLE

1.00	Charlist
2.00	Soutra
2.30	French Pin
3.30	Lord Melbourne

Scotland soccer squad shares £120,000

BY STUART ALEXANDER

SPONSORSHIP and promotion deals are expected to boost the earnings of Scotland's World Cup soccer squad by at least £120,000 this summer. The money will be shared between the 22 players, who are already expected to benefit from colour posters, bar and hotel decorations, a whisky competition, a Chrysler car commercial, and a recording with pop singer Rod Stewart.

In the last World Cup series, in 1974, there were disagreements over money among the team members. Yesterday Mr. Ally McLeod, the team manager, said all commercial details would be settled before the team boarded the plan for Argentina.

● The Test and County Cricket Board has turned down an offer of £50,000 sponsorship for a fifth special series of cricket matches.

BMW, the German motor car manufacturer, had put up a scheme of a knock-out competition between the winners of the Benson and Hedges, the John Player, the Schweppes County, and the Gillette Cup competitions. Mr. Tony-Hille, managing director of BMW (GB), said yesterday: "I am astonished."

Mottram reaches last 16 in Philadelphia

TENNIS

BY JOHN BARRETT
PHILADELPHIA, Jan. 24

BUSTER MOTTRAM, the new British No. 1, was the first player to enter the last 16 in the $225,000 at U.S. Pro Indoor Championships, sponsored by the INA insurance group, at the Spectrum Stadium this afternoon.

Recovering from an uncertain start, he recorded a 1—6, 6—3, 6—2 win in 97 minutes against Tim Gullikson, the right-handed American twin who on Monday eliminated the holder and No. 9 seed Dick Stockton.

For a set Mottram could not find the range with his serve—on which he has recently been working. The neat American repeatedly came to the net and caught Mottram with short angled volleys that exposed the Englishman's slowness on the turn.

The tempo changed mid-way through the second set. Mottram was beginning to serve better, and when Gullikson, serving at 2—3, was foot-faulted on a second serve to trail 0—30 and then served a second double-fault to lose the game, the heart seemed to go from his play. Mottram began to unleash those raking returns that are always the foundation of his game.

With the second set under his belt, Mottram's confidence expanded, aided by another double-fault that cost Gullikson his serve in the third game. Another break and a serve held to 15 with an ace took Mottram to 5—1 and, although Gullikson held his next service game, it was a despairing effort. Mottram had soon completed his win, and will now probably play the top seed Jimmy Connors—who beat him in the first round here last year.

Mottram's new status as Britain's No. 1 has not altered his attitude to representing his country. "As I said in my letter to the LTA, I cannot play while Paul Hutchins (the national team manager) is the captain on the chair. I don't mind him being the manager, but I think Roger Taylor should be the captain. The important Davis Cup match will probably be against France and I would like to play in that."

One must put this latest stance—a slight softening of his original objection—in perspective. Only a year or so ago Mottram objected to the captaincy of Tony Pickard. When Pickard was replaced by Hutchins all was well until Mottram was dropped for the 1976 tie against France. One wonders what his attitude would be if there was any sort of disagreement with Taylor or any other captain.

Three seeded players came through without fuss. Vitas Gerulaitis, the No. 4, who won the Australian Open last December, was far too solid for fellow American Mike Fishbach. Gerulaitis won 6—2, 6—0, and Fishbach probably wished that he was still allowed to play with the now-banned double-strung racket which he wielded so effectively at Forest Hills last September to defeat Stan Smith.

Roscoe Tanner, the No. 10 seed, had to work for his 6—3, 7—5 victory over Syd Ball (Australia). The American left-hander indicated that, together with Stockton, Smith and Brian Gottfried he will probably miss the Rawlings tournament at Queen's Club the week before Wimbledon, to practise with Dennis Ralston, the U.S. Davis Cup coach, whom the four have engaged to travel with them for much of the year.

The Polish No. 1, Wojtek Fibak, the 13th seed, gave a lesson to the youngest competitor here, Van Winitsky of Florida, who last year won the Wimbledon and U.S. Open junior titles and the Pepsi-Cola junior series. Fibak won 6—4, 6—0 to prove that even abundant talent must acquire experience the hard way.

Citroen returns to rallying

CITROEN yesterday announced its official return to motor sport after a gap of nearly a decade. Two-car teams of Citroen CX 2400 Gtis, in the hands of drivers Achim Warmbold and Jean-Paul Luc, *are to contest* three of the major rough-road rallies on the World Rally Championship calendar. They will be the International Portugal Rally in April, the Acropolis Rally in May, and the Senegal Rally in November.

There is also some factory support for a team of three Citroen CX Diesels now competing in the Monte Carlo Rally, which ends on Saturday.

The cars Citroen will use will be in Group 1 — virtually *standard—form,* and *therefore* are not expected to be competitive against the highly specialised Escorts and Mirafiori 131s with which Ford and Fiat are fighting out the World Rally Championship. Citroen's aim, clearly, is to attempt to demonstrate reliability and durability rather than outright speed.

A Citroen CX driven by the Irish-born motor accessories manufacturers Paddy Hopkirk was third in the record-distance, 20,000-mile London to Sydney Marathon last year, although the absence of the major European manufacturers—with the exception of Mercedes—rather limited the rally's value as a marketing exercise.

JOHN GRIFFITHS

Lancastrian seals sell well

SALEROOM

BY ANTONY THORNCROFT

IN A sale of coins and seals totalling £43,221 at Christie's yesterday, two seals of the Duchy and County Palatine of Lancaster were sold by the Viscount Davidson.

The George V seal of the Duchy of Lancaster sold for £3,800 to the London dealer Baldwin, who also paid £3,400 for the George V seal of the County Palatine of Lancaster. The two seals were made by Frank Bowcher in 1910, and each weighs 68 ozs.

Ericksen, a Dutch dealer, paid £4,000 for a Scottish £3 piece dated 1555 while "British Prime Ministers"—a set of six gold commemorative medals by Medallioners—sold for £880 to the London dealer Bord, who also bought a German one-ducat gold coin, dated 1734, for £860.

The two-day house sale organised by Christie's, in association with Hamilton and Hamilton, at Charleville, Enniskerry, Co. Wicklow, totalled £289,800. Top price yesterday was £2,400 for an Irish George III mahogany bureau cabinet.

Sotheby's held two minor sales, oriental works of art making £27,284, with a best price of £940 for a Korean blue and white vase, while at Belgravia, Victorian pictures brought in £24,722, an Edwin Hayes seascape making £750, as did *In a Welsh Valley* by William Mander.

A rare and previously unrecorded 18th century commemorative glass, bought cheaply at a small West Country antique fair, could make £2,000 at Sotheby's on February 6 for its 21-year-old owner.

The seven-inch goblet, which has "God Save the King GR" on the stem, was probably made to celebrate the coronation of George I in 1714 by such anti-Stuart societies as the Muggites and the Calf's Head Club.

On March 2, Bonham's hopes to sell the most important item of furniture yet to appear in its saleroom—a Louis XV secretaire, made c.1760 by Bernard II Van Risen Burgh, who was one of the leading French furniture-makers of the day. It could go for more than £30,000.

APPOINTMENTS

Directors for Lever Brothers

Mr. Andrew Seth has been appointed Marketing director and Mr. Vic Rice-Smith, personnel director, on the Board of LEVER BROTHERS.

★

Mr. Ian Livingstone has been appointed chief executive of DUBAL, the Dubai smelter company whose plant is scheduled to start production in October next year. For the past seven years he has been general manager of Aluminium Bahrain.

★

Mr. N. J. Cosh, who joined the Board of CHARTERHOUSE JAPHET last month, has been appointed finance director.

★

Mr. John B. Hyde, managing director and chief executive of Chemical Bank International, has been named a senior vice president of CHEMICAL BANK.

★

Mr. Thomas C. McLay has been appointed deputy managing director of OFFSHORE MARINE, a subsidiary of the Cunard Steam-Ship Company, and continues as commercial financial director.

★

Mr. Michael C. Winn has been appointed a director of GARDNER MOUNTAIN AND CAPEL-CURE AGENCIES, part of the Hogg Robinson Group.

★

Mr. Stanley Denby has been made a director of W. AND F. C. BONHAM AND SONS.

★

Mr. L. A. Brighton, managing director of Bache Halsey Stuart (London), has been appointed vice-president of the parent company, BACH HALSEY STUART SHIELDS INC., in New York.

★

Mr. Raymond Wheeler, an executive director of Hambros Bank, has been appointed to the Board of HENRY SYKES.

★

Mr. T. W. Sigler, Mr. R. A. Fowler, Mr. M. C. Mays, Mr. D. McGeachie and Mr. J. J. Weidner have been appointed directors of the Continental Oil Company.

★

Mr. A. K. Hornsby has been appointed director of finance of SMITHS INDUSTRIES.

★

Mr. Andrew Warnes has been appointed general manager on the Board of MEREDITHS SOFTWOODS (NORTHERN), a new member of the International Timber Corporation subsidiary Horsley Smith and Co. Mr. D. K. N. Hillas, deputy chief executive of International Timber, is chairman of the new company, and other members of the Board are Mr. H. Chadduck and Mr. J. Lilley.

★

Mr. M. K. Reid, who has been director of the Clothing Manufacturers' Federation, the Shirt Collar and Tie Manufacturers' Federation, the Tie Manufacturers' Association and the Corsetry Manufacturers' Association since 1951, retires on March 31 and will be succeeded by Mr. Gerald French, at present deputy director.

★

Mr. R. W. Allard, director and general manager of WESTERN MINING CORPORATION (U.K.) and WESTERN MINING CORPORATION (EUROPE), has been appointed managing director of both companies.

★

Mr. R. A. Gale, Mr. P. H. Fardé, Mr. N. E. Nicholls and Mr. H. Z. H. Mann will join the partnership of FIELDING NEWSON-SMITH AND CO., stockbrokers, on January 30.

★

Mr. Frank Walters has been appointed managing director for GENERAL AUTOMATION, covering the U.K. and Scandinavia. He was previously with Sperry Univac Minicomputer Operations.

★

Professor Samuel Eilon, head of the department of management science at Imperial College, London, has been appointed a non-executive director of CAMPARI.

★

Mr. S. R. Kingsley has been appointed group managing director of FEEDEX.

TV Radio

† Indicates programme in black and white.

BBC 1

9.15 a.m. For Schools, Colleges. 10.15 You and Me. 11.00 For Schools, Colleges. 12.15 p.m. News. 1.00 Pebble Mill. 1.45 The Mister Men. 2.01 For Schools, Colleges. 3.33 Regional News for England (except London). 3.55 Play School. 4.20 Touche Turtle. 4.25 Jackanory. 4.40 Screen Test. 5.00 John Craven's Newsround. 5.05 A Traveller in Time.

5.40 News.

5.55 Nationwide (London and South-East only).

6.20 Nationwide Goes North.

6.55 Sykes.

7.25 The Wednesday Film: "That Touch Of Mink," starring Cary Grant and Doris Day.

9.00 News.

9.25 I Didn't Know You Cared.

9.55 Sportsnight.

10.45 To-night.

11.25 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—2.18-2.38 p.m. For Schools (Hwnt ac Yma (3) Haul v Dydd). 5.05-5.40 Billidowcar. 5.55-6.20 Wales To-day. 6.55 Heddiw. 7.10 Trem. 7.40 Young Scientists of the Year. 8.10-9.00 The Oregon Trail. 11.25 News and Weather for Wales.

Scotland—11.00-11.20 a.m. and 2.18-2.38 p.m. For Schools. 5.55-6.20 Reporting Scotland. 11.25 A Burns Obsession. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.25-9.55 Spotlight on Northern Ireland affairs. 11.25 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.20 a.m. Gharbar.

10.45 Parosi.

11.00 Play School (as BBC 1, 3.55 p.m.).

7.00 p.m. News on 2 Headlines.

7.05 Are You Happy In Your Work?

7.30 Newsday.

8.10 Julian Bream Masterclass.

9.00 It's Patently Obvious.

9.30 Play Of the Week.

10.25 Arena: Cinema—"The force is with us?" "Star Wars"; Howard Hawks.

11.00 The Light of Experience.

11.15 Late News on 2.

11.25 Closedown: Peter Jeffrey reads "Wodwo" by Ted Hughes.

LONDON

9.30 a.m. Schools Programmes. 12.00 Clapper Castle. 12.10 p.m. Daisy, Daisy. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Hadleigh. 3.20 Heart to Heart. 3.50 Couples. 4.20 Michael Bentine's Potty Time. 4.45 Pop Quest. 5.15 Emmerdale Farm.

5.45 News.

6.00 Thames at 6.

6.35 Crossroads.

7.00 This Is Your Life.

7.30 Coronation Street.

8.00 "Grand Slam," starring Edward G. Robinson and Janet Leigh.

10.00 News.

10.30 A Prime Minister on Prime Ministers.

11.00 The Evening Standard Drama Awards.

12.00 Night Gallery.

12.25 a.m. Close: Leonard Pearcey reads a poem by Hilaire Belloc.

All IBA Regions as London except at the following times:—

ANGLIA
[illegible]

ATV
[illegible]

BORDER
[illegible]

CHANNEL
[illegible]

GRAMPIAN
[illegible]

GRANADA
[illegible]

HTV
1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 3.15 Dodo the Space Kid. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. [illegible]

SCOTTISH
[illegible]

SOUTHERN
[illegible]

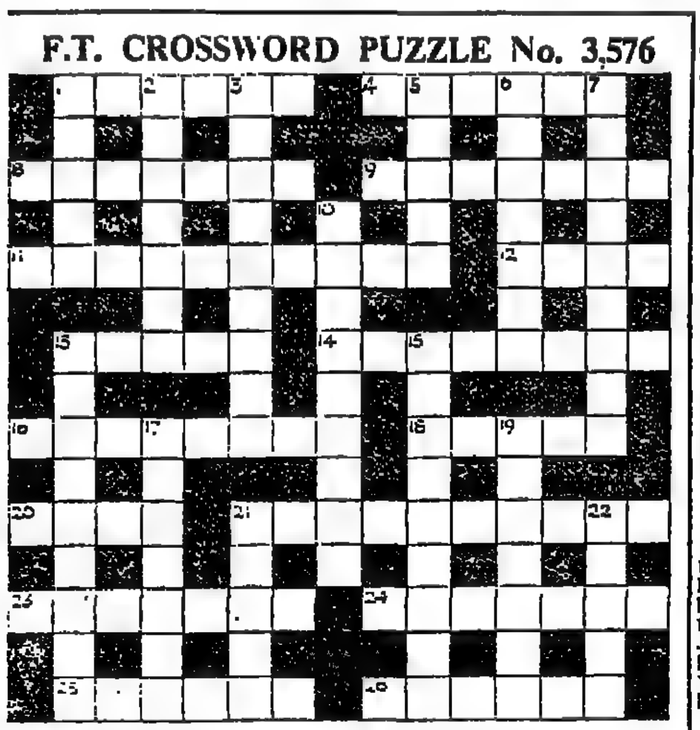
TYNE TEES
[illegible]

ULSTER
[illegible]

WESTWARD
[illegible]

YORKSHIRE
[illegible]

F.T. CROSSWORD PUZZLE No. 3,576



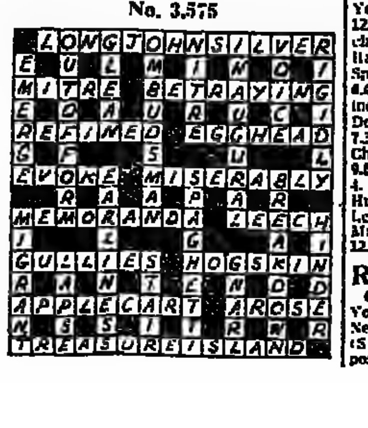
ACROSS

1 Happen to live in Autumn (6)
4 Average boy could become a minister (6)
8 Spoil lines of vegetables (7)
9 Trip current youth leader with bad argument (7)
11 Offer to notice touchy subject (6, 4)
12 A lot of luggage (4)
13 Beastly place the French give a name to (5)
14 Cooking ingredient from source with many branches (5, 3)
16 Eaten some portion given to a small boy (8)
18 Hang this modern music! (5)
20 Like first-class return to region (4)
21 Poor state lets fair go by (6, 4)
23 Girl determined to skip (4, 3)
24 Action as a rule please (3, 4)
25 Burden with wood (6).
26 Cheat has month to get tie back (6)

DOWN

1 Born to take it easy by fire (5)
2 British scientist was distant over a date (7)
3 Naval men given inferior cards (5, 4)
5 A role awarded independently (5)
6 Left in torn blouse capable of being cleared up by Sherlock Holmes (7)
7 French resort about to offer congratulations on progress (4, 5)
10 Father upset and spiky when given the job (9)
13 Supports until don't move command (4, 5)
15 Impossible to please during day one had dinner (9)
17 Window through which to read Times leader on price of freedom (7)
19 Blind alley—I am out of date (7)
21 Quietly impudent to kill-joy (5)
22 Broke into film going to West-end (5)

SOLUTION TO PUZZLE No. 3,575



RADIO 1 247m

(S) Stereophonic broadcast
6.00 a.m. As Radio 2. 7.02 Noel Edmonds. [illegible]

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. [illegible]

RADIO 3 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). [illegible]

RADIO 4

434m, 330m, 285m and VHF

[illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

هكذا من الأصل

ICA Theatre

Voices

Five women on five chairs placed among a wrap-around audience with an unoccupied central area is the glum setting for Susan Griffin's American feminist spin-off from *Kennedy's Children*. They all have their problems which boil down to a somewhat second-hand, second-rate expression of the feminine condition in this ugly male-dominated world. The acting is nothing to write home about and at no point does the entertainment gel into anything resembling dramatic form. The voices are heard in isolation of each other. Awful American poeticism in the style of Rod McKuen or Leonard Cohen jostles uneasily against a muted sound of catastrophe in the 60s.

We have, going clockwise around the company: a failed actress in early middle-age who nearly married a French actor, was moved by Isadora Duncan and is frightened of death; a silver-blonde survivor of two marriages, a father who walked out in the Depression, "49 lovers" and a commitment to a sociological treatise on the failure of the American family; a mixed-up mother of four who, pushing middle-age, listens to her own voice in the silence; a ridiculous nature freak who says, among other choice things, that she wanted to discover the "elemental self under the onion skin of civilisation;" and a neurotic suicide case devoid of father, lover, husband, reason for living, etc., etc.

It is all too much and too long, badly written and wanly performed in a production by Kate Crutchley that allows no room for such ideas that they may have all chosen the wrong men, lived the wrong way or read the wrong books. Worse, it relates not at all to any recognisable experience but exists pretentiously in some wishy-washy liberal limbo where right is on their side, men are to blame and freedom from slavery lies in the direction of cosy communal relationships with people as boring as themselves.

MICHAEL COVENEY

Almost Free

The Irish Hebrew Lesson

Adapted from his own 1972 screenplay for *The Hebrew Lesson*, Wolf Mankowitz's lunch-time play launches a Jewish season mounted by Inter-Action and the Ben Uri Theatre Group with the hope that, at the end of it, an independent company will be formed. The programme reminds us that this is the 50th anniversary of the foundation of the Habimah in Moscow; and that illustrious company came about as a result of a successful season of one-act plays.

This is an auspicious start to the attempt, for Mr. Mankowitz's play is as deft and amusing a piece as you could wish for. Set in 1921, a religious hosier is studying Gaelic in his private synagogue at the top of a Cork household. The rumble of battle is heard outside and a gunman on the run steals in through the attic window. Initial hostility (on the gunman's part) is skilfully assuaged by the pacific host, and the brutal irruption of a pair of English soldiers is diffused by disguising the gunman as a newly arrived Jewish provincial in skull-cap and silk cloak.

By that point, the two men have come closer together over a Yiddish lesson and the young boy is reluctantly impressed by the parallel drawn between English oppressors and marauding Cossacks. Guzzling his gefullte fish and white bread, he is amused by his host's determination to learn Gaelic for business purposes: "For a thousand years my family has been learning new languages, but this is ridiculous!" The rooftop synagogue is evocatively designed by Norman Coates, and Ed Berman's production boasts two beautifully judged and sensitive performances by Leonard Fenton and Patrick Drury.

MICHAEL COVENEY

St. John's, Smith Square

BBC Singers by MAX LOPPERT

The early evening series of choral concerts at Smith Square, in which John Poole's BBC Singers have explored a wide and (for the most part) little-known body of 20th-century choral music grouped around the figures of Richard Strauss and Francis Poulenc, has proved to be one of the glories of the current season, and Monday's recital bade fair to be counted the most memorable of all. At its centre were Messiaen's *Cinq rechants* of 1949 and — a piece especially composed upon Messiaen's forces of 12 solo singers (three each from all four voice groups) — Gilbert Amy's *Recitatif, air et variation*, the latter dating from 1970 but receiving here its British premiere.

Messiaen's cycle of five poems forms one of the towering masterpieces of the century, and, more particularly, one panel in the triptych celebrating erotic and sacred love that is completed by the earlier *Harawi* song cycle and the *Turangalila* Symphony. If not the most overwhelmingly voluptuous of the three, *Cinq rechants* is certainly the most innovative—composers of choral music seem ever since to have been living on the linguistic and incantatory devices here invented by Messiaen—and surely the most spectacularly precise in its cleaving of means to message. On Monday, the great visions of love and death, inherited from Western myth and Wagnerian opera and imbued with Eastern mystical rapture, were radiantly recreated by the 12 singers. The performance was technically very sure, yet not so smooth as to rob the music of its necessary edge of excitement and effort. Individually, not all of the voices could manifest the desirable degree of heroic purity (ideally, we want a cast of three Isoldes, three Brangaenes, three Tristans, and three Markes, all with perfect pitch!). Communally, the sense of building to an ecstatic climax and then dying away to the last, mysterious, singly-uttered prophecy of "dans l'avenir," was beautifully graded.

Squaring up to Messiaen was a hard and perhaps even an unkind challenge to propose to a younger composer, and one which might have been somewhat evaded on this occasion by placing Amy before Messiaen, rather than the other way round. The academic-sounding title, faintly suggestive of a Franck piano piece, belies a conception with vague, music-theatre-ish overtones to it—the performers glide in, flourish maracas and claves, and later shift their positions at various junctures according to patterns not immediately apparent to a first-time (scoreless) listener. The music likewise describes a movement from toneless muttering through wordless vocalisation to a final section of prettily held and altered passing harmonies—the marriage, according to the BBC announcer, of "paroles" et "souffler" to produce "poesie." The result is an agreeable compendium of familiar modern choral devices, in substantial part those handed down from Messiaen. But whether Amy has more to offer than merely a virtuoso *jeu d'esprit* was not made absolutely clear, although the reading seemed devout and well-prepared. A pity that at least something of the text was not made available in the leaflet.

As if this were not a sufficient supply of novelty and nourishment, the recital also boasted short end-pieces of great fascination and charm. For the occasion Poulenc had been replaced by Debussy, whose *Trois chansons de Charles d'Orleans* began the evening. This testimony to the ever-growing enthusiasm, in the last decade or so of his life, of the *musicien francais* for France's musical heritage, bloomed with serene clarity in the St. John's resonance, although Mr. Poole might to advantage have encouraged more crisply percussive effects to waken the *tabourin* of the second song, and have invited dryer textures in the third.

To close, a German cream-puff—Strauss's short choral diversion of 1935, *Die Gottin im Putzzimmer*. Rueckert's poem, painting an "enchantress" in the clutter of her dressing room who may remind the English reader just a little of Pope's Belinda at her mirror, transforms his conceit halfway into a hymn to the art of poetry—the enchantress becomes the Muse and the bric-a-brac of her apparel the material of her art, ready to be alchemised from "void and chaos to the trappings of Heavenly light" (in James Erber's translation). With his usual dramatic acumen and copious facility, Strauss mirrors the transformation by suddenly stilling the pattering Rossinian quavers of the first part into a length of hymn-like monophony, in familiar "golden" vein. That moment of change proved a little less magical than the score had promised, because—either through acoustical blur or vocal roughness at the end of a testing concert — the first section bumped along in very imprecisely pitched outline. Yet the effect of the whole was grateful and endearing—these Straussian choral chippings off the workbench are mounting up to a substantial choral *oeuvre*. The concert will be broadcast on Friday night.

Royal Court

Laughter! by B. A. YOUNG

I have always maintained that you can make a joke about anything, provided it's a good joke. In *Laughter!* Peter Barnes examines this proposition, taking as his examples the excesses of Ivan the Terrible and the organisation of Auschwitz concentration camp. He has chosen two difficult instances, but he has not tried my belief because his jokes are not very good.

This is not to say that his plays—the evening falls into two independent halves—are not good. The first I thought impressive. Timothy West, in a memorable performance as the Tsar, appears first as an abbot, his chamber overlooked by a great crucifix. Behind him, reflecting the crucifixion, Prince Odoevsky is dying slowly from the effect of an official stake passed through the anus and out of the stomach. Ivan is not concerned with this matter; he is more interested in the behaviour of Semeon Bekbulatovich, whom he has appointed, in the manner of Duke Vincentio, to act as Tsar while he acts as priest.

Resuming his authority, he next encounters his son the Tsarevich, played with a wild fury by David Suchet. The Tsarevich has the qualities his father likes, but he is too ambitious for the crown, and Ivan kills him. His third contest is with a mysterious figure in modern dress—a scientist, perhaps?—who is Sameal, the angel of death. Ivan seems to overcome Sameal; but death is unconquerable. Ivan resigns many of his conquests, and dies with an air from Gluck's *Orfeo* on his lips.

The text contains some incidental jokes, depending mostly on anachronisms: but if there is a big overall joke beyond this final encounter it is submerged beneath the greatness of the theme, which is splendidly adorned by the acting of Mr. West, Mr. Suchet and Derek Francis as Sameal.

The second play, for which the set descends at the conclusion of the first, is a disappointment. We are in a German government department, Amt C (a), where three civil servants engage in the age-old Civil Service jokes that depend on the use of reference numbers, etc. There is also much comic wartime chat that could have come as well from Whitehall as from Berlin.

The big joke here is that item CP3(m), with which the department deals, is actually a part for the Auschwitz gas-chambers. A veteran from the Auschwitz front, a stupid man with an over-riding but unthinking loyalty to the Nazi cause, opens their eyes; but they close again once he is gone. Civil servants like soldiers, only obey orders.

This is a shallow piece, in spite of some good scenes. Like the first play, it *is* acted outstandingly well under the direction of Charles Marowitz, though his evocation of the gas-chambers, with piled dolls shovelled about by two "sanitation men," is not as horrifying as it ought to be. Derek Francis as the department head contrives to show the self-respect that even a deluded public servant may pride himself on. Frances de la Tour commanded my pity as the ugly secretary with no thought beyond the end of the day. Timothy West gives a chilling performance as the veteran, combining false chumminess with vicious ambition, a plain-clothes man intent on shopping his mates. His long account of Auschwitz routine is blood-curdling.

By way of epilogue, two Auschwitz prisoners present a music-hall act, swapping jokes about their situation. Only here did my principle come under close examination. On the whole it came out all right. The jokes were undeniably funny. Too bad they should be bound to cause such pain to so many people.

Elizabeth Hall

Guarneri String Quartet

The final concert of the "Mainly Schubert" series was given on Monday night by the Guarneri String Quartet. It was a distinguished end. The Guarneri are a group of rare corporate unity and expertise: the sound is rich and firm, the response astonishingly quick and precise, but flexible enough to allow full freedom of movement and expression to each member, each distinct and individual voice.

A remarkable ensemble — a gleaming mechanism, so well oiled that it seems able to run (and just occasionally, one senses, actually does run) by itself, almost without intervention, with perfect ease. Such purely mechanical moments are not frequent. But they are releases, diffusions, of energy: and they occur just often enough to prevent the broad view from maturing, the long-drawn argument from reaching its conclusion, its highest point of tension. Perhaps partly because of this, the Guarneri are not a quartet whose playing, immediately and without constraint, seizes the imagination and grips the heart. They are not heartless performers: but other considerations seem to take precedence. They are above all a wonderfully efficient instrument, scrupulous in their readings, pungent in their attack, always beautifully tuned. To hear them is often exciting: even unmoved, one can sit back and admire.

They played three quartets, by Beethoven, Schumann and Schubert. Their account of the G major quartet of Beethoven's op. 18 was drawn with fluency and charm—in the scherzo with fine gaiety and sparkle, and in the finale especially, taken very fast, with a splendid rhythmic spring. They also caught very well the swaying lyrical impulse of the first movement of Schumann's second quartet in F major, but cleanly, without indulgence; and pitched the andante just the right, dry side of sweet sadness. I found this their most satisfying performance: stirred by a whirlwind coda to the finale, bright, spiky and clear.

There was a pang of regret for the loss in the G major quartet D887 of the first movement's exposition repeat: never superfluous in Schubert. But this was otherwise another powerful reading, powerfully driven—lacking only the darker, subtler shades of Schubertian pathos and melancholy, the deeper muted colours: and that quality of poised innocence which Schubert shares with Mozart (which words fail to comprehend, but which was so exactly and irreducibly caught in music last week in the same hall by Clifford Curzon in the slow movement of K491). Their finale was a real tour de force of energy—and stamina: a triplet torrent which never once lost clarity or grip.

DOMINIC GILL

Television

An armchair view of the arts

by ANTONY THORNCROFT

The camera sweeps over desolate downland; two rustic figures struggle out of the mist; a cello saddens a traditional folk tune. It is BBC 2 classic serial time and we are back in Hardy-land. Thomas Hardy is ideal fodder for the treatment, with his powerful, doomed characters fighting unavailingly against Fate in some of the prettiest countryside in the U.K., peopled with peasants chock-full of acting opportunities. On the one hand, unchanging rhythms of life: on the other, dramatic and tragic events.

Judging by the first episode of *The Mayor of Casterbridge*, adapted by Dennis Potter into seven parts, this is going to be a very different, and much more successful, interpretation than the recent *Anna Karenina*. There the designers ran riot, sinking tangled emotions beneath a sea of costumes and period detail, more True Romance than Tolstoy. Potter, and director David Giles, seem to be mounting a sparse version of *The Mayor of Casterbridge*, concentrating on the central character, Michael Henchard, played by Alan Bates, who in a drunken youthful moment sells his wife and baby daughter to a sailor and then many years later when he has risen to Mayor has to cope with their return.

The easy moments for flamboyance at the village fair, and the actual auction itself, were treated sparingly. The camera preferred to concentrate on the tortured features of Anne Stallybrass as the rejected wife, Susan, and the still cheerful face of Janet Maw, the now mature daughter, unaware that the grand gentleman is her father. To begin with, the quick switching between the "past" and the "present" was disconcerting, but once the plot dove-tailed with Hardy's, even down to good chunks of dialogue, the scene was established for some solid Sunday night viewing. This is going to be an intense, rather than a lyrical, adaptation but at the first analysis Hardy fights against rural life rather than romanticises it.

For good measure Scottish TV weighed in an hour or so later with its version of a modern classic, *The Prime of Miss Jean Brodie*. Once again adaptor Jay Presson Allen had taken liberties with the original novel by Muriel Spark, showing us the attractively flawed Miss Brodie behaving outrageously in a Newcastle school before going on to Edinburgh to cause consternation there. Miss Brodie must be one of the most sympathetic messes in modern literature, almost the perfect idealistic teacher apart from this romantic weak spot, a pash on Mussolini. Geraldine McEwan makes Miss Brodie not only sympathetic but credible, and although the first instalment seemed like an unnecessary long trailer, the next six parts will be easy rather than compulsive viewing. In clothes and manners the 1930 timing was nicely captured, but why they have to ruin the period feel by introducing a very unlikely train in a very unbelievable railway station sequence I will never know.

More up-to-the-minute atmosphere was available in *Hazell*, Thames TV's reasonable replacement for The Sweeney. Hazell is an ex-police detective making his way as a freelance. No one can approach this subject these days without more than a nudge at Raymond Chandler, and Hazell is no exception, but it is one of the strengths of the series that you actually believe in the hero. Nicholas Ball has the cockney chat off pat and his face has the right blend of external toughness and internal doubt. For some reason the television version eschews violence, a squeamishness not apparent in the jaunty novels which provide the plots. The books also have an edge in evoking London. The characters in the first episode looked like high-rise cockneys and talked like high-rise cockneys, but the opportunity to place the action in a definitive setting was ignored. The Sweeney was not afraid to take to the streets and to mix it a bit; Hazell to date is just a touch too soft centred, too thin blooded.

This has been a good week for the makeshift television critic, not least because of the profusion of programmes about the arts. The Melvyn Bragg Spectacular has switched from BBC to London Weekend and altered its name to the *South Bank Show* but otherwise remains thankfully unchanged. The Man is still too ridiculously handsome, dapper and charming to be a successful novelist (rather like the doctors in General Hospital) but since fate has dealt him such a strong hand he makes sure we benefit by hogging the whole show. As in *Read All About It* he invites a few experts along to set him off, providing an audience for his opinions on their special subjects. Last Saturday Dilys Powell listened to the Bragg view on Mizoguchi, the Japanese film director, while Alfred Burke and Beryl Bainbridge were, I hope, well paid for managing to mention that they had read Simenon's latest volume, and watched television on Monday night.

The superficiality of the first half of the programme was balanced by the tedium of the second, where Andrew Lloyd Webber's new variations on a theme of Paganini, written for his cellist brother, Julian, were given their first (and last?) rites. At least this showed us how much we missed Bragg—he has not yet learned to master the cello.

The initial programme a week earlier had been equally lightweight, very much on the lines of "yes, I know this is an arts programme but it does not have to be boring. Just hold my hand tightly and see: you will probably quite like it in time." The problem with the popular approach is that it skims the surface of the most accessible subjects—the long interview with Paul McCartney suggested that this most enduring and endearing of the Beatles could match Bragg in amiability but actually composed his songs on a "Do it yourself" pianola kit. Still sucking lollipops with Melvyn Bragg is preferable to munching cardboard with all those other earnest arts frontmen, who always seemed to be enthusing about unknown contemporary Belgian painters or centenarian Japanese potters.

Television controllers have never loved the arts: they have found it easiest to hire a Big Name and let him ruin his reputation at some off-peak hour when the majority audience was out of harm's way. By chance, however, there were two programmes about art last week which were genuinely informative and entertaining. Omnibus on BBC1 could hardly fail with Courbet, whose work is so visually accessible, and BBC2's Arena was on to an easy winner, getting George Melly, the Big Dada of Surrealism, to indulge us with a ramble around this art form which he has made his life form.

The simple surrealist joke here was that Melly was going to take us through the mammoth exhibition of Dada and Surrealist art which has just opened at the Hayward Gallery in London. In fact, the programme ended at the entrance hall—the meaning of surrealism, its history and personalities, had been conveyed during Melly's ramble to the gallery, which was enlivened by surrealist events, beginning with a view of Melly a-bed. At every stage of his routine preparations for the day the surrealist connection was slotted in—Melly shaving cut to surrealist paintings which had been obsessed with razor blades; Melly dressing allowed an insight into the dressing habits of the surrealists, which were ultra-conventional, Magritte, indeed, always kitting himself out like an articled clerk when painting.

The journey to the Hayward was interrupted by visual jokes—an elephant passing by; Melly, like Humpty Dumpty, astride a wall, or popping into phone boxes to hit random victims with surrealist messages. Unfortunately the whole thing turned into a farce when a flat which was to feature in a filmed sequence was found to have burned out in a sudden fire before the camera crew arrived. Melly seemed more intrigued by this example of realism than in any of the dream-induced images from his surrealist past.

The attraction of both the Courbet and the Surrealist programmes was that they connected with important exhibitions—anyone interested in television's superficial images could easily catch up with the reality at the Royal Academy or the Hayward. In Melly television has a monster who must be used sparingly, but the advantages of encouraging an informed, yet idiosyncratic, view at a subject were reinforced in the repeat of *Vienna: The Mask of Gold*, Michael Frayn's on the spot look at the artistic life of Vienna just before the First World War. On first showing, the mass of largely unknown names was disconcerting: seeing it twice made much better sense, even if Frayn was again intellectually up-staging everything in sight.

Perhaps, on second thoughts, television's treatment of the arts on a one-off basis is not too bad. In recent weeks we have had operas—Don Carlos and Die Fledermaus; ballet from Moscow; plays of the quality of Granville Barker's *Waste* and the Laurence Olivier season; any number of concerts; and now the adaptations of classic novels, and the examinations of artists and movements in art. It is just the attempts to run general arts programmes, cramming in a little of everything, that come to grief. And, of course, the news coverage given to the arts is disgraceful. It would not be so bad if the programme makers were not missing so many fine opportunities (although the televising of concerts takes some justification). On last week's showing the arts can easily prove their worth, if imaginatively portrayed.

Anne Stallybrass and Alan Bates in "The Mayor of Casterbridge" (BBC 2).

1978 Gulbenkian Music Fellows

The Calouste Gulbenkian Foundation, Lisbon, has announced that its 1978 Music Fellowships have been awarded to the pianists Terence Judd and Gordon Fergus-Thompson, and the baritone David Wilson-Johnson. The awards, worth £3,500 over three years, are intended to give young soloists who have proven ability the opportunity to concentrate on their solo careers.

There will be an opportunity of hearing the three Fellows on Sunday, April 2, at 3.00 p.m. at the Wigmore Hall.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Telephone: 01-248 8000
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A long-term adjustment

HE MOST immediate and)vious danger arising out of ıe sharp increase in oil prices, ɘggar-my-neighbour tactics, was ɹoided with a fair degree of ıccess. But the second danger, ıat of being trapped in an ıflationary recession, has roved much more difficult for ıe industrialised countries to vercome. The Organisation for ːconomic Co-operation and levelopment drew up a plan ɔr gradual re-expansion in the ıiddle of 1976, but its success —except in the arguable case f the U.S.—has so far been imited. Yesterday the Secre-ary-General of the OECD spoke t Chatham House about the nain reasons for this failure.

First, he adduced the almost complete failure to agree on suitable measures for discouraging the use of energy and leveloping alternative sources. The U.S., because of its sheer size, is the main but by no means the only culprit in this field, and the real seriousness of the long-term outlook has been disguised by a slow rate of world economic growth and *the tapping of new oil sources* in Alaska and the North Sea. But each new projection, according to Mr. van Lennep, shows a greater risk of a new energy crisis in five or ten years' time.

Inflation

Second, he pointed to the way in which capital investment throughout the industrialised world has failed to recover as hoped and expected. The precise reasons may differ from country to country. But common factors everywhere have been the extent of idle productive capacity and a great increase in uncertainty about the future, itself partly due to persistent inflation and the policies which governments are forced to adopt in dealing with it.

The variation in national rates of inflation and national attitudes towards inflation is largely responsible for the third aspect of failure touched on by Mr. van Lennep, and the one he regards as most serious—persistent imbalances of trade caused by the reluctance of countries to differentiate their policies sufficiently to suit their different circumstances. This, as he remarks, is not surprising. It took time for countries which were overstretched even before the oil crisis to cut back; it took time for countries which had long relied on exports and investment as the basis of their growth to realise that change would be needed. But last year the first group began to retrench while domestic demand in the second group began to falter. This is a structural problem rather than an accident of the trade cycle, and one which the members of OECD have a common interest in solving.

Protection

Because it is a structural problem, however, it is unlikely to be overcome quickly. In the meantime the prevalence of high unemployment will push governments into taking special steps to help sectors or regions worst affected and will, in particular, increase the pressure for protection. Even if the crudest forms of protection are avoided, more subtle forms may take their place. Mr. van Lennep makes a particular point of suggesting, therefore, that government intervention should be temporary and should aim, wherever possible, at encouraging the growth of new and promising lines of industrial activity.

The point should be borne in mind by our own government. Yesterday's unemployment figures show a hopeful jump in vacancies but the total number of people unemployed is extremely high. In this situation, a programme of job maintenance and creation schemes —*it is at present keeping per*haps 250,000 people off the unemployment register—is an obvious political recourse. The programme is soon due for review, however. Quite apart from the representations of the European Commission, its emphasis should be altered to encourage the growth of new and more competitive industries rather than mainly to bolster up the old.

Too much to swallow

THERE was less disagreement in Monday's debate in the House of Commons on the green pound than Mr. John Silkin, the Minister of Agriculture, pretended. It was Mr. Silkin himself who said of the livestock sector: "What is at stake is the continuance of U.K. production or the surrender of our market to foreign competitors . . . I believe that we must act now if we are to avoid a massive takeover by foreign interests of these two basic British sectors (beef and pigmeat)." And it was Mr. Silkin again who concluded that, in the absence of the ability to take other national measures, the only possibility was to devalue the green pound.

Surpluses

The only differences between the Government's position and those of the Opposition parties were of degree, and even then they were small. The Liberals wanted a 10 per cent. devaluation over a 12-month period; the Tories wanted 7½ per cent. at once. Mr. Silkin offered five per cent. now with the possibility, indeed the probability, of more to come. It was clear throughout that he was prepared to accept the Tory figure, but wanted the opportunity to blame the Conservative Party for the further increase in food prices involved. That is politics; it should not disguise the fact, however, that there was something very like all-party agreement that the British livestock sector needed to be helped and that devaluation of the green pound was the only method available.

Yet if the parties agreed among themselves, they have produced only a short-term solution. The theory behind the devaluation is that it will cut the Community subsidies paid to other Common Market producers which enable them to export to the British market at prices which undercut those of the British industry. That should force them to raise their prices and British producers should have room to follow suit, thereby putting the industry on a sounder base.

It is by no means certain, however, that either the Danes with their bacon or the Irish with their beef will react in this way, or at least at once. Both countries are heavily dependent on their agricultural exports, and neither will easily accept a reduced share of the British market. One would expect them to fight very hard indeed to maintain their present position and to postpone any price increases as long as possible. That is the first problem posed by the Government's measures.

The second problem is more fundamental. It is that devaluation of the green pound alone does nothing to reduce surplus production. It is true that the extent of the surpluses in the Community is sometimes exaggerated; they are often fairly modest in relation to total output. But they do appear to be a growing phenomenon. At the same time consumption of most of the main products whose prices are guaranteed is either static or actually falling. How far this is a reaction to price and how far it is due to changing tastes is open to question, but either way the Community is sooner or later going to have *to face up to the fact that it* is producing more food than it needs.

Rhetoric

British Ministers—past and present—tend to take refuge in calls for a fundamental reform of the Common Agricultural Policy. Mr. Silkin did it again on Monday with his rhetoric about "the real strategy of radical change in the CAP that is so urgently required." It is difficult to escape the impression, however, that what has happened over the years has been little more than tinkering. The surpluses have grown, not shrunk. It is the aim of every member of the Community, including Britain, to produce more food, not less. It is a situation which can only get worse unless the Community is prepared to recognise that there is already an excess, produced often enough at a price that the consumer is beginning to refuse to pay.

Hacking a path through the property accountancy jungle

BY JOHN BRENNAN AND MICHAEL LAFFERTY

SHAREHOLDERS of property companies are forced to fly blind. They are rarely told just what properties their company owns—"such information might help a competitor." They are rarely given more than a bald figure for total portfolio value—"shareholders won't read pages of conditional explanations." They are often treated to accounts where revenue is boosted by a myriad of mysterious capitalised charges which then disappear back into the balance sheet under the distributable profit line—"it's the tax laws, old boy."

All these classic excuses for non-disclosure are now being dragged under the microscope. The property industry, the accounting profession, and professional bodies involved in property valuation are locked in debate of proposals to harmonise accounting procedures and to impose far wider disclosure rules on a part of the corporate sector which up to now has been left behind in the general move to improve standards of company reporting.

It was the accountants' efforts to lay down depreciation rules for fixed assets that started the ball rolling. Most companies, property or otherwise, did not bother to make provision for depreciation on buildings until the rule-making Accounting Standards Committee proposed, in 1975, that all fixed assets should be depreciated over their useful lives.

For the average industrial company this proposal raised no problems—in any case the extra charge for depreciation of buildings was hardly significant. Property valuers raised no technical objections to separating the value of buildings from the land they stood on. But the property industry objected.

Property companies maintained that they were a special case. They argued that depreciation was already allowed for in regular portfolio valuations, that it would be impracticable *and misleading to separate the* value of buildings from their sites, and that the depreciation charge on a large portfolio would wipe out profits available for dividends. In a letter to the President of the English Institute of Chartered Acountants putting the case against building depreciation for the sector, Mr. Harry Axton, deputy chairman and managing director of Brixton Estate—one of the largest industrial property groups — wrote " . . . it is patently absurd that a company as profitable as Land Securities should be unable to pay a dividend from revenue profits and presumably, therefore, to stay in existence as a credible public company."

Mr. Axton's comment reflected the views of the industry as a whole.

Gradually, the property companies' lobby began to win a sympathetic response from a *few accounting theorists within* the profession, even though the ASC stood firm on its demand for a common standard for depreciation for all companies.

Faced with the prospect of mass auditors' qualifications within a stubborn property sector, a head-on clash that might have been very damaging to self-regulation in accounting, the Council of the English Institute of Chartered Accountants voted late last year to avoid a

THE CLASSIC TRANSFER

(. . . an example of how development interest charges become tax deductible)

	£
Rental income	10,000
Less: expenses	4,000
Interest on development	2,000
Tax	1,500
Profit after tax	2,500
Transfer to unrealised reserves of interest on development	2,000
Profit available for distribution	4,500

conflict: the property companies were given a year in which to hammer out a compromise.

But the depreciation question is only the tip of an ice-berg. All the aspects of property company accounting now must be reviewed.

What sets property companies apart from the rest of industry are the hazy lines drawn between capital and revenue, and between the traditional divisions of fixed (investment) assets, and current (potential trading) assets. A number of companies within the sector have made these lines of distinction more blurred than they need be. But it does not require much imagination to appreciate that a system of current value accounting would be more appriate for property companies than the traditional historic cost reporting method. After all, these companies exist to invest in or to create what they hope *will be appreciating property.* In order to provide their shareholders with what they consider to be relevant information, most companies already revalue their properties on a regular basis.

There is a big gap between an ideal accounting system for property companies and what passes for accounting in the sector at the moment. The reason, surprisingly, is taxation.

Thanks to a ruling in the famous Chancery Lane case in 1962, which constitutes the basic tax case law on treatment of property interest, British property companies are forced to charge all interest on their borrowings to their profit and loss accounts if the interest is to quality for tax relief. The absurdity of this practice is emphasised by the device (the typical transfer from unrealised reserves) which most companies have been forced to employ to *recapitalise interest and other* outgoings. Interest that the property companies see as a capital charge—part of the cost of a development in the same way as building costs—has to be filtered through profit and loss to establish a taxable charge, and once safely offset, channelled directly back to the balance sheet.

There are obvious drawbacks to an accounting system which is designed more to take advantage of tax reliefs than to inform shareholders. But these might largely be overcome if property companies were to make clear in their accounts how they calculate the "transfer" to the balance sheet.

It would not be unduly burdensome if companies were to break down the transfer between interest and other outgoings and between the three stages of property development: *properties held for development,* those in the course of development, and completed but unlet properties. If all property companies were to give this information, shareholders would be in a better position to judge how much reported profits depended upon the capitalisation of interest. Yet hardly any publicly quoted property groups come anywhere near that standard of disclosure.

The standard property developer's response to calls for greater disclosure in the income statement is that, in the final analysis, shareholders are more interested in underlying asset values than year-by-year fluctuations in the profit and loss account. That argument wore thin in the years immediately following the 1973 property-secondary banking crash.

But the property man's argument holds in so far as companies in the sector are judged primarily in terms of their potential for capital growth. And it is here, in balance-sheet valuations, that another key criticism of existing accounting procedures arises.

So far, property company shareholders have had to be content with whatever their Board decided to reveal about their portfolio.

Property companies can tell shareholders as much or as little as they wish about their portfolios, as there are no effective minimum rules of disclosure. The Royal Institution of Chartered Surveyors has gone a long way towards establishing uniform standards of valuation throughout the profession. The RICS published the latest of these guidelines to-day. But it stands aside from the critical debate about how the companies use their valuations.

Property company directors can commission—as they have done in the past—a number of valuations on the same property while publishing only the most favourable. Under current practice, shareholders would be none the wiser. In addition, *directors can, and frequently do,* leave the age, condition, location, future rental prospects and any funding partner's equity participation in a portfolio to the imagination of the reader of the accounts.

It could be, and is, argued that a professional independent valuation takes full account of all these points, and if further details were given competitors, rather than shareholders would benefit. But a number of major companies in the sector are unable to fall back on that argument because they continue to hold properties in their accounts on a haphazard variety of different valuation bases. Some properties are shown at cost, some at directors' valuations, some on ludicrously out-dated external valuations.

Any moves towards higher standards of accounting and disclosure for property companies must also involve the valuation profession. The RICS has set the scene by issuing valuation guidelines. But the day will have to come when guidelines will no longer be enough: common and enforceable valuation standards, consistently applied, will be essential. The question of independence of valuers will also have to be tackled. The RICS has gone some way towards eliminating the worst *abuses in this area by defining* who may be a "professional valuer" and by clarifying who is and who is not an "*independent valuer.*" *But without* disciplinary powers the good efforts of the RICS will take time to filter through the system and in the meantime there will still be that extra element of doubt in published valuation.

Against this chaotic background, it would be unrealistic to expect an overnight transformation in property accounting. But at long last the accountancy profession and the British Property Federation, representing the major property companies, are trying to work together to create a uniform accounting system that is acceptable to the industry.

A present there appears to be little common ground. The accountants are concerned about the lack of professional standards for valuers, and with an eye to the recent property crash they are appalled that the industry's past reporting standards have done little to reflect the true risks of the business. For their part, the property companies are determined not to be forced to provide depreciation on their buildings under the existing accounting framework.

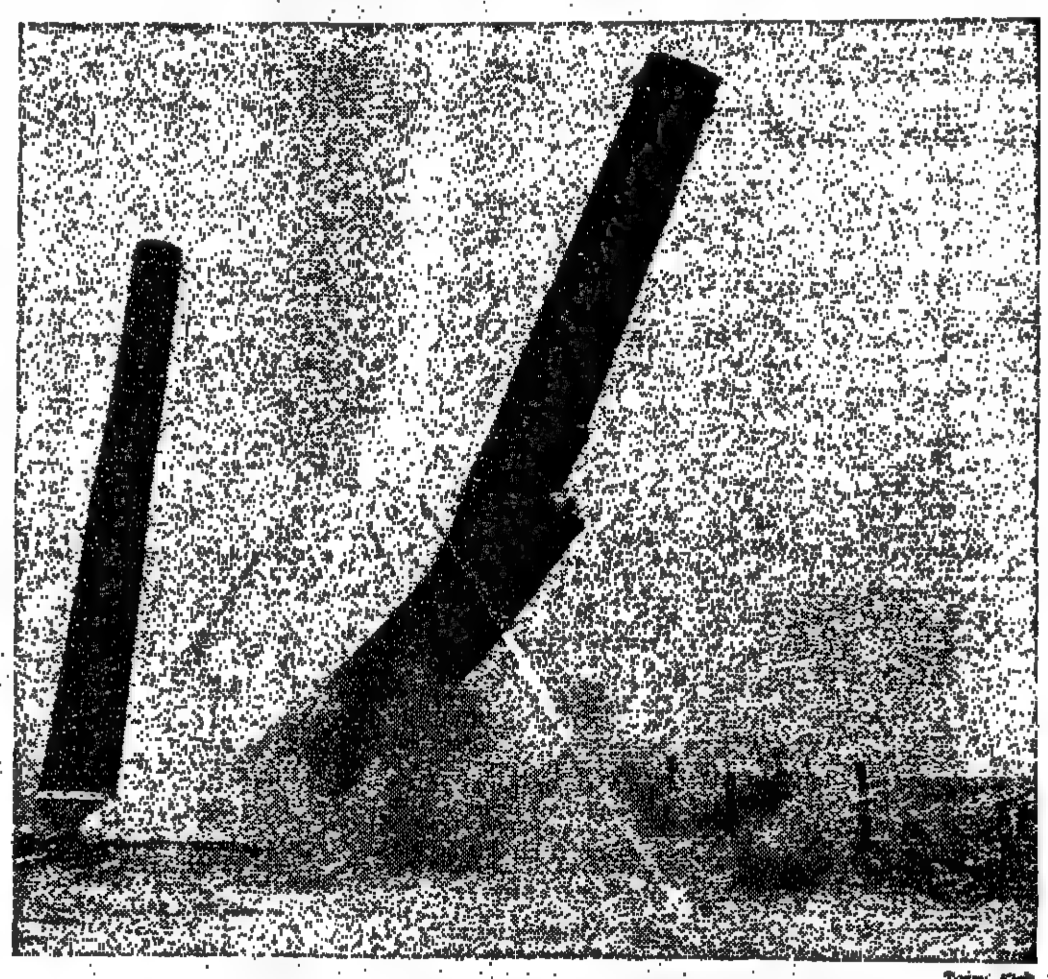
The property industry may take some comfort from the fact that other sectors have already been accorded special accounting treatment. The clearing banks, for example, operate under a *special accounting convention* known as the Leach-Lawson rules which allows bad debts and losses on investments to be averaged out over a five-year period.

Given these precedents, property companies may reasonably argue for special treatment, for the attempt to apply depreciation standards formulated to fit the needs of industrial companies has highlighted radical differences in the accounting needs of the sector.

One way out of the impasse might be to allow property investment companies to draw up their accounts in a way akin to investment trusts, rather than manufacturing businesses. If the companies were allowed to show an annual portfolio valuation, without having to separate individual losses from profits, they at least might be happy.

But there would be no question, as far as the property men are concerned, of taking the annual valuation surplus (or deficit) into the profit and loss account. That would only run into another tax problem—the Inland Revenue might seek to tax realised gains at the Corporation Tax rate of 52 per cent., rather than the 30 per cent. rate of Capital Gains Tax which applies at present.

In the end, it may require the help of the Inland Revenue to iron out anomalies in the existing tax law and to tailor *new rules to fit the accounting* needs of the sector.



Terry Kirk

"Depreciation should be provided on buildings held by property investment companies as they are finite assets which in due time will need to be replaced. . ." —the Accounting Standards Committee

MEN AND MATTERS

Friendly help in the City

When the City holds its hat out for money it likes to do so on the grand scale. On the other hand it does not like to be asked too often and fund raisers around the City have found that the success of the City's Jubilee appeal has not made their task easier in recent months.

Undaunted by such considerations, however, John King, the chairman of Babcock and Wilcox, yesterday appealed to the City and firms round the country to raise a total of £1m. for the Macmillan Appeal which, under the umbrella of the National Society for Cancer Relief, provides assistance and care to cancer sufferers.

The money is needed to finance construction of special 25-bed intensive care units and assistance to help terminally ill patients "die with dignity" as treasurer Jocelyn Hambro put it.

While the City was raising money to help those suffering from the disease which causes 20 per cent. of all deaths in the U.K. Len Murray, secretary general of the TUC, was guest speaker at the launch of a keep fit campaign by the Health Education Council aimed at cutting down the heart attacks which kill another 26 per cent.

Speaking as a former heart attack victim himself Murray drove home the simple cure of healthy eating and more exercise.

Sing small

The ever-inventive U.S. recording industry has just come up with a new way of losing friends and offending people. With former channels like racism and sexism now taboo, Warner's record division has come out with a song called "short people" which has raced to number-five spot in the charts.

Written and sung by Randy Newman, it boasts such poetic lines as "they got little baby legs, they stand so low, you have to pick them up just to say hullo" and other words to that effect which have led to objections from the public and banning by several radio stations.

On the basis that a number-five spot is a number-five spot a rival to short people has now been rushed on to the market. Believe it or not, it's titled "tall people" and it, too, has unforgettable lines such as "they got arms like gorillas and long hairy toes, when you're standing beside them you got to look up their nose."

So far there are no reports of complaints by the long and the tall, and Warner's promotion people dismiss criticism of "short people" and even claim that it is actually a subtle plea for tolerance. They claim that if one listens very hard one can hear a soft-voiced choir in the background. The choir is singing: "short people are the same as you or I, all brothers are equal until they die." I am deeply moved.

People's opera

Traditional opera has reappeared in China for the first time since the cultural revolution. For years out of favour because of its associations with *mythology, romance and court* intrigue, two old operas have just been newly staged.

Vice-Premier Teng Hsiao-Ping, now third in the hierarchy and once the arch-foe of chairman Mao's reforming wife, Chiang Ching, is known to have been bored to the point of political indiscretion by her modern revolutionary operas. He once walked out of a performance and affirmed that no-one would ever pay to see them.

One of the operas currently in production is a courtroom drama in 17th-century regional style which is now running in Nanking. This was considered a perfectly acceptable work in the 1950s and on two occasions numbered Chairman Mao among its audience. The other, specially performed for the visiting French Premier, Raymond Barre, comes from a favourite novel of Mao's, "The Water Margin," about the adventures of a Chinese Robin Hood in the Sung dynasty.

While it now seems only a matter of time before traditional opera is in production throughout China, the ones performed will probably be restricted to those with suitably moral themes. Its reappearance seems calculated both to brighten the life of the average Chinese and to enhance the standing of a unique cultural heritage.

Tall ships, ahoy!

Is the world about to witness the return to those elegant sailing ships which dominated the oceans until cheap coal, and subsequently cheap oil, banished them to the realm of memory and the sepia photograph?

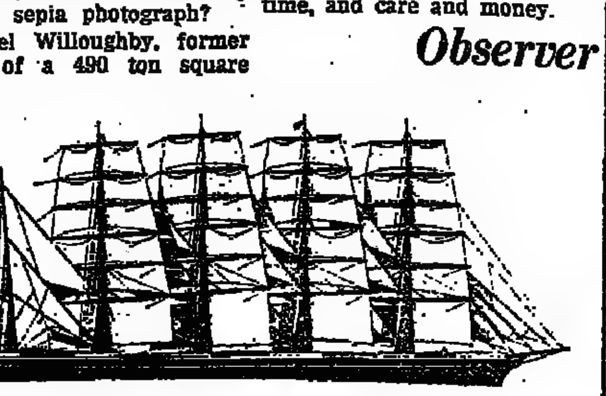
Michael Willoughby, former master of a 490 ton square rigger, believes, with boat designers, that the return of the commercially viable sailing ship is not only possible but desirable and has just designed the 12,000 dwt, seen below, to show just what such vessels could be like.

Sailing ships of the future would embody many of the technological improvements made since the demise of the old windjammers. Hull, mast and yards would be made of steel and sails of synthetic fibre. They would also carry small, but powerful, diesel auxiliary motors and fully feathering propellers to reduce drag under sail. He calculates that such ships could average around 12 knots on the long transoceanic routes and points out that with present fuel costs many shipowners have instructed their captains to slow down to precisely this speed to save fuel.

One of the principal question marks over the future of sail concerns the availability of trained crews.

Apart from the instructors and crew of the handful of naval training ships the number of people with experience of furling sails and sailing such vessels is fast diminishing. Building up a body of trained sailors in the old style and relearning the ancient skills of sailing by the elements will take time, and care and money.

Observer



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FINANCIAL TIMES SURVEY

Wednesday January 25 1978

Vehicle Fleet Management

Although it appears contrary to the free enterprise nature of their business, the big vehicle fleet users, the road hauliers, see enforced restriction of competition as their only salvation during a tough period. Their critics, however, say their fundamental problem is inefficiency, and they would be less keen on legislation in better conditions.

Desire to reduce competition

By Ian Hargreaves, Transport Correspondent

T LAST YEAR'S Road aulage Association annual nner, Mr. William Rodgers, e Transport Secretary, found mself making a public wager 1 the credibility of a point ade in an earlier speech by .e Association's president at road haulage "as we know " was in danger of extinction / pressures of taxation, legal striction and sheer economic ress.

Mr. Rodgers pronounced mself unimpressed by the gument. Road haulage in his ew was a post-war success ory for the private sector and e was prepared to back his idgment with a £5 stake.

This gap between the in-ustry's worried view of itself -a theme re-iterated in umerous speeches from Road aulage Association officers in ie course of the year—and the olitical assessment of it also rovided the basis for a recent aper to the Chartered Institute f Transport by Mr. Peter 'hompson, chief executive of ie National Freight Corpora-ion, Europe's biggest road aulage undertaking.

Decline

Mr. Thompson pronounced he industry "declining in ibsolute size, declining in num-bers employed, fragmenting, iot making sufficient returns to replace its assets and offering a poor employment package in relation to industry at large." At the same time, he continued, the industry "is becoming technically more efficient but is handing all this benefit and more to its customers." The main cause of the malady, he maintained, was excess of competition.

It is not often, even in the interests of academic debate, that necks are so prominently stuck out in the road haulage industry as was Mr. Thompson's in that speech. He ran the fundamental risk of drawing comments that his analysis of an industry with perilously low margins was specifically true of his own Corporation and that, in effect, he was pleading in his suggestion for much tougher control of entrants into the industry for the protection of the inefficient in difficult market conditions.

Some of his figures, too, relied uncomfortably on short-term trends pitching downwards into the recession years of 1975-76 to make general statements about the condition of decline, but for all that the analysis was one of the most challenging of the year.

Its case was first that by switching to bigger and more fuel-efficient vehicles (over 52 per cent. of work done in 1976 was in vehicles over 28 tons, compared with 38 per cent. three years earlier), the industry had bought in productivity improvements.

But in the same period, the percentage of goods moved by hauliers rather than manufacturers' and retailers' own fleets had slipped 1.5 points to 62.9 per cent. Furthermore, the industry was fragmenting, with the percentage of vehicles in fleets totalling fewer than six lorries growing slightly, with a corresponding weakening influence of the large, 20-plus vehicle fleets.

Most critically of all, Mr. Thompson said that during a decade in which retail prices almost trebled, selected NFC company records (again, it must be questioned whether NFC was pricing effectively or typically during this period) showed increases of haulage rates between 43 per cent. and 148 per cent. Thus, Mr. Thompson was not surprised to be able to read out an extremely gloomy analysis of return on assets in the industry based on a Jordan Dataquest survey last year. This showed more than half the 150 companies examined making returns on assets at historic value of less than 10 per cent. To replace assets, at least 33 per cent. was needed, he said.

Mr. Thompson's remedies were threefold: to win from the present committee on operator's licensing a recommendation that in future an independent body should be able to prevent issue of new licences during a period of over-supply of haulage services; establishment of fair and legally enforced minimum rates (a suggestion right against present trends—the Road Haulage Association has only just dropped recommended rates after pressure from the Office of Fair Trading); and a reversal of the liberalities of the 1968 Transport Act, which opened the way for "own account" fleets to begin plying for hire and reward and thus competing with hauliers.

One central question is immediately raised by Mr. Thompson's remark. That is: has the road haulage industry really sold itself so badly short in the last five years as its leaders are now so vociferously claiming? The fact that some NFC companies have priced behind the market, its competitors would say, shows surely that its services have not been efficient enough to merit higher charges.

Additionally, not all the figures agree that there has been underpricing; even when it is acknowledged that new lorries cost between three and four times as much to-day as they did six years ago and that road haulage is a labour intensive industry. The Freight Transport Association's monitor of costs for the year to September, 1977, for example, showed that haulage rates went up 18 per cent. and the costs of fleet operation only 12 per cent. During the whole of 1977, two NFC companies put their charges up by more than 23 per cent. The Price Commission will perform a service by sorting out this argument during its current investigation of the industry.

Certainly the Government has not so far attached any credence to the hauliers' warnings. Last June's Transport White Paper, although many haulage men welcomed its distaste for the road to rail arguments traditional to the Labour Party Conference, was interested in road haulage principally in the sphere of more control of lorries' environmental nuisance. And the only point of relevance to private sector hauliers in the present Transport Bill is the granting of powers to the enforcement authorities to divert lorries suspected of overloading five miles instead of one mile to a weighbridge.

At the same time, with its sights set on the EEC's goal of lorry taxation by axle weight rather than unladen weight, the heaviest lorries seem likely to take a second successive steep increase in vehicle excise duty this spring.

On top of this, the programme for implementing the 8-hour EEC driving day is now accepted and will lead to extra costs, but perhaps more significantly will bring tough and complex negotiations with trade unions at a time when pay codes are still charging the atmosphere and when the industry's only vestige of a central bargaining point, the Wages Council, has been swept away.

Cast into the framework of this political debate, the future for lorry men does indeed look gloomy. They cannot even look forward to major improvements and extensions of the motorway network such as have transformed the productivity of long distance trunking in the last 15 years because Government is wavering about the future of the roads programme.

But perhaps some at least of Mr. Thompson's and the Road Haulage Association's worries are exaggerated. The drift towards "own account" fleets has so far been slight and surely there is nothing intrinsically undesirable about a slight reduction in the average size of road haulage fleets. Furthermore, taking a longer view, is it not true that the whole distinction between haulier and "own account" man is diminishing as the former seeks security of operation by much more binding contractual relationships with his client through contract hire, straight hire and various forms of leasing?

Recession

Is it not the case also, that the present clamour of alarm by the industry is such as we would expect at what should be the tail end of a four year recession? It would be a fair guess that when manufacturing industry picks up to the point at which there is a shortage of haulage capacity for the first time since 1972-73, the last people to be shouting about changing the legislative framework will be the hauliers themselves. They, with ranks no doubt swelled in the usual manner by a new wave of small entrepreneurs, will be too interested in cashing in on the improved market.

Some relief from EEC

LAST YEAR was a curious one for British transport's relationship with the EEC, beginning as it did with the U.K.'s presidency of the Community and a speech *to the European Parliament* of far-sighted idealism by Transport Secretary William Rodgers and ending with a scramble for agreement on the major issue of drivers' hours.

The very fact that the debate on the driving day question proceeded with such volume within the U.K. transport industries and at Brussels with seldom a mention of the only genuine issue at stake: the safety of road vehicles, is proof itself of the pragmatic level at which the whole discussion was pitched.

The eventual outcome was much better than many operators had feared, with a three-year phase-in period agreed and an effective assurance that none of the regulations would be rigidly enforced during the first half of this year and an even longer running-in period for the only stipulation likely to cause real problems: the requirement that all articulated lorries over 20 tonnes carry either two drivers or a techograph if the daily driving distance exceeds 450 kilometres (281 miles).

The programme agreed for introducing the rest of the regulations means no-one is likely to be seriously affected until the end of next year when the driving days comes down to nine hours for lorries (compared with the present maximum of ten) and the maximum permitted period of continuous driving will be reduced to four and a half hours (now five).

Operators of both coaches and lorries are now taking stock of these recently announced changes and although the official position is still that a 20 per cent. loss of productivity will cost the bus and coach industry £80m. a year and the road hauliers £450m., everyone is seeking ways around the rules.

An important factor difficult to assess is the attitude of trade unions to the reduced hours. There is not much doubt that the union attitude will be demanding the same pay for fewer basic hours, but whether this will cause critical problems will depend much on the state of Government incomes policy at the time of the changes. This will be particularly so for the state-owned National Freight Corporation and its 42,000 drivers. There has already been one strike over the hours and tachographs issue this year, but this was confined to Humberside.

Already employers in road haulage are trying to judge which way to play the issue of tachographs for articulated vehicles, assuming that enforcement ever does become a reality. Faced with the implacable hostility of the union leadership to the "spy in the cab," the present policy is to lay low and see whether Government ever becomes prepared to take on the lorrymen over the issue and, if they do, whether it will be prepared to see employers negotiate their way around the confrontation by offering cash in return for acceptance of tachographs.

Tachographs

Certainly to judge by Mr. Rodgers' behaviour so far on the wider question of the EEC regulation to make tachographs compulsory for all domestic goods vehicles over 30 cwt and *for domestic bus and coach trips* over 31 miles, there is not much chance of Government making any running on the issue.

Mr. Rodgers' refusal to accept regulation 543/69 on tachographs has led to the initiation of legal proceedings against Britain by the Commission which ought to eventually end with action by the European Court. Faced with this procedure, the Government has spoken loosely of reviewing its position on tachographs, but it remains unknown whether this is merely a form of words to avoid deliberately affronting the Commission or a genuine acceptance that defiance cannot be indefinite. For the present, the best advice to fleet operators is probably to forget the whole issue as it seems certain to remain unresolved until after the next General Election. Meanwhile the Commission itself is stressing strongly in private that it has no stomach for a fight with Britain over the tachograph issue.

Coach operators will probably be more seriously affected than most by the shortening of the drivers' day and week. Day excursions, which may involve only a few hours actual driving can quickly clock up for a driver the eventual EEC limit of 48 hours in a week (the limit is reduced to 60 hours under phase one of the regulations) and this will mean coach companies either employing more drivers or offering fewer trips.

EEC DRIVERS' HOURS REGULATIONS: TIMETABLE FOR IMPLEMENTATION

	LORRIES (OVER 30 CWT)	BUSES/COACHES (EXCEPT ON ROUTES BELOW 50 KILOMETRES)
Max. continuous driving:		
present	5 hours	5.5 hours
1.12.78		5 hours
1. 7.79	4.5 hours	
1.10.79		4.5 hours
1. 1.81	4 hours	4 hours
Daily driving period:		
present	10 hours	10 hours
1.12.78	9.5 hours	9.5 hours
1. 7.79	9 hours	
1.10.79		9 hours
1. 1.81	8 hours	8 hours
Weekly and fortnightly driving periods		
present	57 hours per week, 112 hours per fortnight	60 hours per week, 118 hours per fortnight
1.12.78		57 hours/112 hours
1. 7.79	54 hours/106 hours	
1.10.79		54 hours/106 hours
1. 1.81	48 hours/92 hours	48 hours/92 hours

Another special difficulty for coaching operators involves the transition in October 1979 from the fixed Saturday to Saturday week to the rolling week. This will make it much more difficult for companies to give their *drivers long-week-end leave* periods, which are said to be extremely popular, in return for solid periods of duty in excess of seven days and will mean coach tour operators offering slightly shorter tours. The retention of the fixed week is, however, high on the shopping list of U.K. officials as they attempt to renegotiate some of the small print of the hours agreement during the coming year.

Motorways

For the straight, long-distance haulier or coach service, there is going to be no legal way round the fact that many single-manned journeys of the present will become impossible when the full eight hour day law becomes effective in 1981. The bigger coach companies are talking about staging posts on the main motorways for switching drivers, but direct freight trunking with a single-manned vehicle from London to Scotland will be out of the question. This should, as British Rail has not hesitated to point out, provide some impetus for the growth of its own freight services.

Apart from hours and tachographs, there has been little concrete to report from Brussels on the transport front this year, although a number of interesting issues have been talked about on the fringes.

The least likely of these has been a rebirth of talk, although not much more than that, about the Channel Tunnel, but the one of most immediate concern to road haulage men is that of vehicle weights.

No official advance in the Government's position has been made in recent months, with *Mr. Rodgers sticking to his line* that no initiatives are planned. There are grounds for believing, however, that the U.K. Government would look very carefully at a new proposal to permit lorries up to 40 or even 44 tons gross into Britain (the present limit is 32 tons), provided that the axle *configuration* were such that there was no increase in tons per axle and so long as there were some parallel accord on a range of vehicle standards, such as exhaust emissions and noise.

Debate continues within the community about relating the taxation of heavy lorries to axle weight rather than unladen weight, but this issue becomes increasingly academic for British lorry owners as last April's budget made one sizeable leap towards these values with increases mainly between 25 and 35 per cent. and it seems reasonable to speculate that there will be a similar increase this year. Although a case exists for this uprating of vehicle excise duty for lorries with the heaviest axle bearing (much research shows that such vehicles cause proportionately the greatest damage to roads), fleet operators will still be able to legitimately complain that the Government is, within the terms of its own argument, overcharging many other road users.

One way around this for Government would be to slap an extra "social and environmental costs" tax on road vehicles. This course was, however, specifically rejected in last June's *Transport White Paper*, although its subsequent remark that it would take "social and environmental costs into account, along with other related considerations such as the need for fuel economy, in deciding by how much road taxation should exceed the directly ascertainable public costs of roads" was again not impeccably logical.

Although some of the hysteria about "juggernauts" may have subsided in the last year or two, there cannot be any doubt that the constraints on the operation of heavy vehicles, both physical and *financial*, are going to become more and not less severe.

Ian Hargreaves

Road haulage trends

THE ROAD haulage industry has weathered the economic recession with a remarkable degree of resilience in spite of the fact that the downturn has been the severest and longest the world has experienced since the 1930s. Competition has been greatly intensified, losses have been incurred, fleets have been reduced in size or replacement postponed, and some companies have had to close down. But the ravages have been no greater than in industry generally; and there certainly has been no evidence of the "inherent instability" which has so often been said to have been characteristic of the industry in pre-war days.

This instability was the main justification for the old system of carriers' licensing which was abolished in 1969, and it is still often cited as being one of the main reasons for the close governmental regulation of road haulage activities which still obtains in most parts of the Continent. Yet capacity controls have gone and the industry has successfully survived a major slump. The fact that it has done so is a tribute to the professionalism of the modern haulier. It also lends support to those who have said all along that the idea that the industry was inherently unstable was a myth which owed far more to the effects of the inrush of demobbed soldiers operating auctioned-off ex-army trucks in the industry's early days after 1918 than to factors which were in some way inherent in the nature of the business itself.

The industry's strength is traditionally said to lie in the fact that it is composed of a very large number of very small businesses each operating only one or a few vehicles, and up to a point this is still largely true. A business operating on a relatively small scale in a business so sensitive to changing circumstances and changing demands can be far more responsive and flexible than a much larger one subject to heavily centralised direction.

This is why the State-owned National Freight Corporation (NFC)—which is by far the industry's biggest single business, with some 21,000 trucks, 16,000 trailers, 41,000 staff, and about a twentieth of the total freight market or about a tenth of the total professional haulage market—has always made a point of delegating responsibilities as far as practicable down the line. Far from being one big business, it is in fact a very large holding company owning a vast echelon of subsidiaries and discreet operating units, each specialising in one area of the market and run as a profit centre with a large measure of autonomy.

Statistics can mislead, however, and this applies as much to the figures about road haulage—which, incidentally, are not all that plentiful or all that up-to-date—as anywhere else. In the first place, the basic figures about the number of operators according to fleet side do not bring out at all clearly the fact, which more detailed studies both here and abroad have shown, that the average haulage business has gradually been becoming larger.

Advantage

They also need to be weighed against the fact that there are now many more bigger vehicles with much larger payload capacities than 10-15 years ago and far fewer smaller lorries (as distinct from vans whose numbers have also increased). It is the larger firm which tends to be predominant in longer distance operations or which serves extensive markets that has access to the heavier traffic flows to be able to take advantage of the larger capacity lorry with the resulting scale economies. This is the reason why there are about 10 per cent. fewer lorries than ten years ago (again leaving vans out of account) in spite of a 30 per cent. increase in the ton-miles of freight moved by road. It is also one reason why the haulage industry is somewhat less deconcentrated than the bare statistics might suggest.

The figures can mislead, too, because they may give rise to the impression that haulage is one big market whereas in fact it is an extremely heterogeneous collection of markets, each differentiated by area, route, load, type of service required, or all sorts of other factors. At one end of the spectrum, there is tipping work and the movement of construction materials to a changing kaleidoscope of building sites round the country. This is still very much the province of the smaller operator with one to five vehicles—not to mention the "cowboy" firm which attracts so much attention from the legislators and arouses so much dismay in the rest of the industry. At the other end of the business, one can find extremely specialised and sophisticated operations such as the movement of refrigerated foodstuffs or fashion goods, the provision of break-bulk services, or the undertaking on contract of complete distribution systems, including warehousing, stock controls, and computerised control systems, as well as the haul of goods by lorry from A to B.

The movement of freight has in fact become a specialised and sophisticated business to a degree which would have been unrecognisable a generation ago. There have been major changes in the structure of manufacturing and the movement of imports of materials, components and equipment. There have been changes of even greater magnitude in the structure and organisation of distribution. Supermarkets, out-of-town shopping centres, and cash and carry warehouses, mail order, and multiples have replaced the corner store and specialist shop and created a new balance of power beween supplier and retailer.

There are now nationally and internationally branded consumer products, whose success depends upon convenience, quality, repeat purchases, high volume sales, low unit costs, attractive packaging, mass promotion and rapid replenishment of depleted stocks. New systems of merchandising based upon the computer, unitisation, and automated handling have revolutionised inventory control, sales administration, the logistics of supply, and the control and location of depots. Lead times have become shorter, shelf life stricter, quality control more stringent, and the marketing strategies of producers and distributors have become closer.

All this has created new patterns of demand for freight transport to which the alert carrier has been quick to respond. The movement of goods is, after all, merely a service which is determined of a myriad of free choices. The bigger haulier has been moving away from the industry's traditional dependence upon casual business in order to concentrate upon a range of specialised contractual work.

The NFC's span ranges, for example, from house removals and the delivery of new furniture bought by mail order to the shifting of heavy industrial plant, small parcels, new cars, textiles, pottery, glass, deep-frozen foods, and industrial and household waste. In the privately owned sector—and citing of examples is an invidious business for there are so very many — there is the SPD business, originally set up to provide the companies in the Unilever group with a transport service they felt they could not get elsewhere, which now provides a high street distribution service for three dozen or more non-Unilever concerns as well as a score of companies within the Unilever group.

These changes in the kind and range of freight movement services which to-day's society demands have been the cause, rather than the product, of the shift in the balance of official regulation in this country from controlling the quantity of services on offer to controlling their quality. The abandonment of the former may have permitted greater flexibility and adaptability to be shown, but the adoption of the latter has also served to re-emphasise the importance of a professional approach.

It is no longer enough to acquire a lorry by hire purchase. One also has to be equipped to undertake, or be prepared to pay for, its proper maintenance, to abide by the increasingly complicated rules governing its operation and loading, to demonstrate a measure of financial standing, and to comprehend a veritable maze of road traffic laws. In other words, road haulange is no longer a business which is easy and cheap to enter.

Moreover, the recent White Paper on transport policy warned that the enforcement of the vehicle overloading and maintenance is to be tightened up. A committee has been set up under the chairmanship of Professor Christopher Foster to recommend changes in the post 1968 system of operators' licensing which would improve "the quality and efficiency of the road freight industry." And the desire to safeguard environmental amenity (an urge which is gradually settling back into a more realistic balance) is continually adding to the thicket of regulation and prohibition which surrounds to-day's road freight carrier.

The idea that the pattern of freight movement should, so far as is practicable, be determined by the variety and diversity of market demand is not yet wholly pervasive. Thanks to the Franco - Germanic origins of the European Community's approach to transport policy we have had to accept the re-creation of a regulatory distinction between carriage on own account and carriage for hire and reward in the new provisions governing access to the profession of road carrier. The tight nationalist control of cross-frontier movements by road within Europe is making a mockery of free trade by requiring an exporter to choose the carrier that has a permit rather than the one who offers the more efficient service. And the old dog of road haulage nationalisation is not yet quite dead.

But more and more industry is learning to look at the movement of freight—from the arrival of raw materials to the final point of consumption, an area of cost that on average absorbs a tenth of final sales value—as an intrinsic part of overall strategy.

Colin Jones

Widening tasks for managers

ONE HAS often heard the remark that the best hauliers and transport managers are those who started off driving a truck themselves. It is a comment that still has a great deal of force to it. But the task of owners and operators of vehicle fleets has been becoming increasingly complex and sophisticated, and it has been demanding an ever wider range of expert knowledge and managerial skill.

Take, for a start, the laws governing the construction, operation and maintenance of vehicles. In the last 10-15 years these have become lengthier and more complicated, and the penalties for infringment have become very much more onerous. Only the other day new proposals were circulated to tighten up the enforcement of the maintenance and overload rules—including, in particular, the distance vehicles might be diverted for checks to be carried out, the procedures governing prohibitions, and the rules about replacements for vehicle plates. And a new inquiry has been set up under Professor Christopher Foster, a former director-general of economic planning at the Transport Ministry, to consider the effectiveness of, and the need for any changes in, the present system of operators' licensing.

Then there are the laws on employment. In the past few years these have become so much more complex and elaborate that companies big enough to be able to afford to do so have found it desirable to appoint people to specialise on them full time. The web of traffic regulations, route prohibitions, loading and unloading bans is making departure and delivery schedule harder to plan. The problems of finance and costing and control are becoming more sophisticated. And all these matters are mere adjuncts to the main task of satisfying customers whose requirements are becoming progressively more demanding and specialised.

These changes have been matched by a growing range of professional and vocational training facilities. There are professional bodies like the Chartered Institute of Transport, the Institute of Traffic Administration, the Institue of Road Transport Engineers, and the Institute of the Furniture Warehousing and Removing Industry, whose examinations new entrants have been taking for years. There is a steadily growing range of management courses provided in-house by larger organisations or by outside bodies such as the British Transport Staff College, the Road Transport Industry Training Board, and the Freight Transport Association.

The growing complexity and demanding nature of the transport manager's job is continually inducing changes in the training facilities these various orgaisations offer. Only last year, for example, a working party under the chairmanship of Sir Peter Masefield reported back to the Chartered Institute of Transport on how it might broaden its membership base, particularly in the road transport sector, and encourage higher standards of professionalism in transport generally.

One of the biggest changes has come, however, not by a process of evolution within the industry's own established educational set-up but through Britain's membership of the European Community in the form of a set of regulations governing access to the occupation of road haulage operator. To the extent that these new rules represent a step towards the eventual but still extremely distant—aim of opening up the EEC road haulage market on the basis of qualitative, rather than quantitative, controls, their introduction might be considered welcome. To the extent that they may help bring about a more orderly framework of vocational training for new entrants, they could also be considerably worth while. But, because other EEC members' regulatory systems treat commercial haulage and own-account operations as two wholly distinct areas, we too have had to accept the re-creation of a regulatory difference, and this is very much to be regretted.

The new rules are basically an elaboration of the present system of operators' licensing. From the beginning of this year applicants for the grant or renewal of an "O" licence have had to choose between two types of licence—a restricted licence if he will be carrying his own goods here or on international journeys, and a standard licence if he be carrying other people's goods. The standard licence is further divided into two versions, one for wholly U.K. operations, and the other for international operation, for which the criteria are somewhat stricter.

The new restricted "O" licence for own-account operations is granted on the same conditions and criteria as before. There has been no change except in name. But the commercial haulier has to demonstrate good repute, financial standing, and professional competence.

Good repute will be assessed by the licensing authority in much the same way as for the former "O" licence, including convictions for such matters as the roadworthiness and loading of vehicles and drivers' hours and records which had previously affected the authority's decision whether to grant, revoke, suspend, or curtail a licence. Professional competence—which will have to be demonstrated by the applicant or a transport manager employed by him to operate his fleet or by several transport managers in his employ if he has more than one base of operations—can be attained in one of three ways.

One, known as grandfather rights, will be available to those who before January 1, 1975, held an "O" licence or were employed by a licence holder to manage his fleet. They have until the end of next year to apply for a certificate of competence from the licensing authority on the production of proof of their pre-1975 experience. Those who became a licence holder or transport manager after January 1, 1975, do not qualify for grandfather rights. They have been given two years' grace to January 1980—during which period they will be regarded as professionally competent—but after then they will have to qualify through one of the two other ways.

The first of these is by exemption as a result of holding certain qualifications awarded by the industry's professional bodies. The other is by passing a new examination—divided into two sections for national and international operations—administered by the Royal Society of Arts and covering such subjects as the laws and regulations governing all aspects of road transport operation, the commercial and financial management of a business, and—for international operations—the formalities and procedures governing the management of international road haulage.

Colin Jones

Expanding truck market

TO THE MAN in the street the difference between six and seven miles per gallon can be safely ignored and he would think it unremarkable if it were pointed out to him as a major consideration in buying a lorry tractor. Yet that one extra mile per gallon represents a saving of over 16 per cent. in fuel burned or, to put it into family car perspective, an increase from 30 miles per gallon to nearly 35 miles per gallon.

And taking an average yearly run of only 50,000 miles by a heavy truck and diesel fuel at a fairly low 80p per gallon that would mean a saving of £952 a year. Economy means big business in the expensive world of heavy trucks and is increasingly becoming a major factor in a conservation-conscious world.

Over the past two years the truck market has been as badly affected by reduced demand and sharply rising prices as have motor cars and now there is a hope that, again like cars, prices may be held stable and increases held to, at most, two a year instead of the previous quarterly increases.

There is also a hope that a lift in the economy in general will help truck sales, while any increase in construction work, particularly if helped by local authorities, will help a specialist truck market that has been in the doldrums.

Careful

At the same time, transport managers have had to keep a careful eye on the manoeuvrings at Brussels as the Common Market nations tried to agree on maximum weight sizes, on the other hand, and to issue directives on such things as drivers' hours, or adequate refrigeration of foodstuffs, on the other.

And while some companies have seen their cash flow reduced due to the downturn in the economy, the leasing business has grown in order to free capital for other things. While for the manufacturers the competition for business has increased and this has led to some heavy discounting.

Even with wage restraint drivers pay has continued to go up so operators have looked to using bigger lorries and less of them in order to cut both capital outlay and running costs and this has led to the industry building more of the heavy lorries, using bigger power packs, specialist trailers, and cutting turnround time.

Increasingly the larger operators are using computer programmes to define the various needs of the separate sections of their fleets and to choose the vehicle most appropriate. These will take into account the likely mileage, the type of terrain to be covered, the average load factor, the cost of the vehicle, and any information available on average performance, maintenance costs, and spare parts availability and cost.

But all this data can count for little if the operator is then offered a very good discount by a competitor, or even, sometimes, if his drivers express a very strong dislike for the vehicle which may have been chosen.

In the past six months the market has begun to perk up again as those operators who had held off as long as they could during the hard times finally realised that they could wait no longer to replace their vehicles, and as they also realised that it could still take a very long time for the EEC to iron out its differences.

It is still hoped that agreement can be reached by 1980, but, even before the U.K. became a full partner, the original six countries had been unable to agree on a formula.

The main problem is one of axle-weights which can lead to gross weights fluctuating between 32 tonnes and 50 tonnes, depending on the view of individual countries. Allied to this is the question of how many horsepower should be the norm minimum per tonne weight it is pulling.

Add a couple of axles or put in bigger engines and consequent power trains, and the cost of a lorry can rise alarmingly. All of which means that the fleet manager has to keep a careful eye on his future buying pattern if he is to remain competitive or if he is not to be left with a second-hand fleet that is difficult to sell because it is less efficient.

For the company which runs its own fleet, there is the continuing problem of mixing heavy trunk haulers with local delivery and inner city vehicles.

While on the one hand everyone has been watching greater polarisation between the large lorries and small with the inevitable squeeze on the medium size, they have also had to watch a greater and greater degree of specialisation in body types.

In the old days by far the majority of lorries had a fixed cab to a flat, or dropside back which could be used as a utility vehicle. Then the articulated lorry became more widely used and now the specialised body is also dominating the market.

This is partly due to ease of handling for instance the increased use of containers, palets, rigid and curtain draped TIR trailers, etc. And partly because the regulations regarding the road transport of food have been tightened up, leading to a greater use of refrigeration. At the same time there are now more than ever uses for tankers for both liquid and dry goods.

Companies are also taking advantage of the opportunity to truck mixed loads to a much greater extent than they ever could and are using new materials like glass fibre to construct the bodies in which to carry them. The most expensive tankers though are still made from stainless steel which can be steam sterilised and used for a wide variety of goods.

While most original manufacturers offer some sort of specialist vehicle facility most of this kind of body-building work is carried out by specialist companies such as Crane Freuhauf or York, who take a basic chassis and add the body to it.

It is also possible to have specialist lorries on contract hire including painting in house colours, from major operators like BRS and at the same time to enjoy the benefits of a rescue service in the event of any breakdown.

Schedules

Fleet managers are increasingly being offered a service which means that the downtime on a big lorry can be very expensive in itself apart from the need to see that pick-up and delivery schedules are maintained and customers kept both happy and loyal.

One of the innovations particularly useful to fleet operaters which is catching on is the use of the demountable body. Like an articulated lorry, it allows the driver to leave behind the loaded compartment he has brought with him, to take away another load for another destination. But, unlike an articulated lorry which has to leave behind the complete trailer, which is very expensive, the demountable body is much cheaper, having its own in-built legs at each corner.

Thus a rigid truck can be used and allow greater utilisation of what is originally cheaper equipment. Users claim that it gives considerable savings in fuel, chassis, bodies, wages, damages, stores and depots, insurance rates, and running costs.

While all these claims need to be checked, it is clear that the system offers similar flexibility to an artic as long as the size and weight of the demountable body can compare with the largest of the articulated load carriers, and as long as it suits the operator to have a group of more or less static containers to load.

The key question, then, is always economy. Most developments have to have that factor as part of the original conception, except in the most specialist of vehicles.

Fleet operators have had to cope with very rapidly rising costs in the past few years and have reacted, generally, with the formula that bigger is better and have thus tried to run as few lorries as possible at maximum efficiency.

This has led to some turmoil in the manufacturing industry as the continental operators have been able to cash in on their experience of building big, long-distance trucks that appealed to both the operator and his driver.

Now the British industry is ... back, though the current climate of heavy discounting leaves little optimism for positive cash flows. They are also able to stress reliability to go with improved cab design, and have shown greater willingness to mix proven parts made by outside manufacturers with their own engineering and assembly skills.

All this is good for the fleet managers, who are being offered more choice at competitive prices.

But, despite all the knowledge that can be computerised, word of mouth in what is still a very tight-knit industry is still very important. And buyer loyalty to one manufacturer takes a long time to break down. So the British manufacturers are looking to a period of growth in the next 18 months and the fleet managers can hope for increased reliability and economy from their vehicles coupled with more stable financial forecasting.

Stuart Alexander

Computers play their part

THE TRANSPORT industry has been slower than some other sectors to seize on the potential advantages offered by computerising its operations. This is because of its highly fragmented nature and the very large number of small operators. But in the past five years considerable advances have been made in some of the larger concerns. Many large own-account companies have utilised computer systems, often using the computer installed to handle their main business interests.

However, the rapidly declining price of hardware means that computer sytems are coming within the reach of even smaller operators. While computers for big operators can cost £30,000 and upwards in rental each month, a comprehensive system for the small operator could cost as little as £1,500 monthly.

Hardware will become even cheaper in the next decade as the technology develops. In an address to the Freight Transport Association, Mr. Bob Beckham, managing director of SPD, Unilever's transport subsidiary, said: "A mini-computer to-day would probably cost £10,000: in the eighties it will cost nearer £1,500. A micro-computer is available to-day for £1,000: the eighties will see them on the market for £50 To back all this up the new midi range of computers will assume a more important role as the central machine in a small network, taking over a similar role to the large mainframe computer. Midis to-day are around £50,000 but will certainly be down to £10,000 by the early or mid-80s."

Cost will not be the only reason that use of computers and data processing will expand further. Mr. Beckham points out that a transport manager who has a future will be told by his common sense "that his physical and mental capacity to use all his knowledge at one time, in a continuing process of evaluation—adding new experience and updated information to his original memory store of knowledge as the day-to-day operation proceeds — becomes progressively less efficient as the information that needs to be taken into account increases."

Nor are companies the only units to investigate the possibility of taking computer systems on board. The Freight Transport Association is currently investigating whether to provide, on a national basis, a computer bank for the analysis of goods vehicle operating and maintenance costs. If the Board give the scheme the go-ahead it could start operating by July.

The bank's purpose would be to provide association members with rapid information on costs as an aid to better management control. Regular output information would cover such items as cost per vehicle for both operating and maintenance, details of those vehicles costing above average to run and control on annual testing and the issue of prohibition notices. Special analysis output would include information on optimum vehicle life, the benefits of particular makes and types of vehicle and comparative operating and maintenance costs.

The gain in efficiency from switching to computerised operations can be very impressive. British Road Services, part of the National Freight Corporation, which offers its planning programme Pathfinder to outside groups—usually big own-account concerns—says that efficiency is improved by between 15 and 50 per cent. on existing operations.

IBM, which offers a range of programmes for transport operations, points to a similar level of improvement. When their Vehicle Scheduling Programme, called VSPX, was applied to Geest Transportation it was found that an average saving of 30 per cent. could be made at each of the group's 12 depots. Vehicle levels at each depot could be reduced typically from 23 to 18 for a saving of

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Keeping the service costs down

E ANALYSIS of vehicle ntenance costs is one of the t important elements in runz an efficient fleet. It is also eld which is attracting more more attention from operaand independent specialists er the pressure of spiralling age bills. Efforts are now ng made in a variety of ections to ensure that fleets maintained as cheaply as sible, while keeping the icles in the best shape sible in order to achieve fitable second-hand deals en they are sold.

hese developments can be uped under three main heads—the improvements in the duct which are being made manufacturers, and which be supplemented in the garwhen the vehicle is bought; improvements in running s made by using new coments and cutting the price of re parts; and the specialised nagement services for icle fleets which can beght virtually off the shelf.

roduct improvements have questionably been made by nufacturers in the past few rs in response to the tougher rket conditions following the crisis. Deflated sales have nt concentrating hard on rketing tactics, and have also de the manufacturers upde what they have rather n expending all their efforts developing new capacity as opened in the 1960s.

s a result, rustproofing and ntwork have improved, along h the design of the newer s which deliberately tries to dicate water traps in the bodywork which sets rust to work. Equally, component design is improving in quality. Service intervals are gradually being extended so that vehicles can be kept on the road for longer continuous periods. In addition, a number of manufacturers have produced radically improved warranty schemes, which take away the customers' repair costs for one or, in some cases, two years.

These manufacturing developments are being supplemented by a new range of services designed to create more durable vehicles once they are on the road. A variety of rustproofing and paint respraying companies have established themselves, along with stainless steel exhaust manufacturers who claim to produce units which can last for the life of a car.

Running

Although these services are not widely used in the fleet business, a number of companies are beginning to consider them. Rustproofing, which can cost up to £100 a car, will probably not attract fleets with a high turnover of vehicles which are being resold well before any rust will appear. Similarly with stainless steel exhausts, which are again more expensive than their mild steel counterparts. But fleet operators who need to run their vehicles for longer periods are beginning to look at these possibilities. Protectol (Rustproofing) of Durham, for example, claims that tests with the Post Office in the North East region have shown a significant improvement in vehicle life.

Vehicle fleet managers are also looking very hard at running costs under the impact of rising fuel prices. This trend has made an impression in two main directions. First, it has forced much more hard-headed calculations of the repair costs in running any individual fleet. Initial price is becoming a relatively less important factor to-day compared with the cost of replacement parts and downtime while vehicles are off the road. In the commercial vehicle industry this calculation is particularly important, because the overall cost of running the fleet has to be set very clearly against its ability to earn income.

Competitive spare parts prices is one of the reasons why the U.K. car manufacturers still have an overwhelming grip on the fleet market. British cars to-day have been shown to be as reliable overall as their competitors', and in many cases can be maintained for half the cost. But the importers can be expected to make an attack on this front.

A new factor which is beginning to play a part in fleet costs is alternative fuel systems. The diesel engine, for example, has received a big boost in the light commercial field because of its greater fuel efficiency, and is gradually making inroads into the car sector as well. As yet, diesel cars are not used in anything like the numbers on the Continent, partly because British manufacturers do not as yet produce a diesel car; but Leyland is planning to introduce a diesel Princess later this year, and Ford a diesel Granada.

Gas-driven cars, popular for many years in north Italy, are also poised to make an impression in the U.K. Unlike diesel, gas is no more efficient per volume burned than petrol. But there is a significant price differential in the fuel compared with petrol because Britain produces a surplus of propane at present —direct fuel costs are claimed to come out 35 to 40 per cent. lower. The problem with the system lies in the additional cost in fitting gas equipment, which can be well over £200 a vehicle. On the other hand, this equipment can be removed when the vehicle is resold (the car then runs on petrol because all the gas equipment is bolt-on) and added to the next vehicle which is bought for the fleet. Cargas, one of the main companies in this field, which operates from Leeds, claims to have converted 500 Transit vans to gas in the last 18 months, including some of the Littlewoods and Rank fleets.

The increased emphasis on efficient maintenance has brought a number of specialist companies into the field in recent years. One sector of activity derives from the leasing industry, which has tagged maintenance contracts onto its main-line business. This means that many leasing contracts are now written with a maintenance clause as well, with the leasing company taking responsibility for keeping the vehicles on the road.

This is an obvious area of business for garage companies like Bristol Street Motors or Wadham Stringer which have diversified into leasing. But a number of companies, mainly with an American lineage, are now establishing themselves as mainly fleet management operators. These businesses, such as PHH and Gelco, offer customers a complete service. They buy the vehicles in the first place, arrange maintenance and check the bills, and dispose of them at the end of the term. The advantage of using these services lies in the fact that many medium-size fleet users are not equipped to employ really specialised management in this area, where maintenance costs can get out of control without adequate supervision.

Recovery

A number of specialist groups are also entering the vehicle recovery and maintenance business. These are particularly relevant to the haulage industry, where operators are trying to reduce the time trucks spend off the road to a minimum. Here again, the specialists are building up diversified businesses which cover both 24-hour recovery services, general repair and full maintenance contracts.

For example, Truck Rescue and Maintenance, an eight-year-old North London business, offers contract maintenance agreements which cover preventive servicing, replacement of major parts and recovery charges, all based on an annual mileage fee. On the fleet management side, the company runs a scheme to give regular servicing with a performance and safety check which includes a guide to the costs incurred by an individual vehicle.

Specialised servicing companies of this kind now use a variety of electronic and other diagnostic machines as an aid to speedier maintenance. Autosense Equipment, of Bicester, for instance, markets a machine which works through sensors connected to key points on the engine and the exhaust. The results of this are fed into a computer which delivers a printout showing what is wrong with the engine's performance.

Capital investment in this sort of machinery is beginning to take off in Britain with the development of the trend towards larger workshops and away from the old general servicing garage concept. Mr. George Haynes, marketing director of TI Transport Equipment, which makes a variety of engine testing and wheel alignment products, believes that the increased stringency of MOT testing will create a significant increase in the amount of garage equipment used in future.

These developments all show a growing emphasis on effective maintenance and lower running costs which is likely to intensify in the years ahead. Operators will need to improve the efficiency of their fleets as fuel costs rise; and they will be under constant pressure from the Government to maintain vehicles which are adequately safe and non-polluting.

Pressure will therefore be exerted on the vehicle manufacturers themselves to make cars and trucks which last longer than they do at the moment, and which require much less maintenance. Recent moves towards longer servicing intervals are an indication of the efforts manufacturers are making in this direction, and they can be expected to continue as new components and materials are developed. But all these changes are likely to make vehicles very expensive products, which in turn will make their users all the keener to ensure that they are kept in the right condition.

Terry Dodsworth

Computers

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out £25,000 each year—a total £320,000 annually.

In Europe IBM has supplied ur or five transport concerns th data communication networks based on the IBM 370-138 d upwards which provided one control of operations. One ample is Dubois in Paris, ich has 60 terminals on line depots throughout the gions.

In Britain both Norfolk Line, nilever subsidiary, and MAT nsport use the IBM System ree incorporating operational trol and a fleet data base reting system. To a limited ext even day-to-day operations run through the machine. tasks include equipment cond and tracing, day-to-day teing and rating and rate it.

ritish Road Services is also nputerising its operation adily. The State-owned subary of the National Freight poration uses the computer eau Scicon for many of its ning operations, although -to-day operations have not been brought within its pe. BRS is the biggest single up in transport, with been 9,000 and 10,000 vehicles about 10,000 employees. computer used by Scicon is Univac 1108.

istribution

e first programme deped was Pathfinder, which ed about four years ago. was originally intended for ract hire operations— lly by own-account concerns. s generally been used to set ew services and the main tions it helps to answer are: a distribution scheme, how y vehicles should be oper, what size the vehicles ld be and how many miles will run. Among the cusrs for Pathfinder have been p, Unigate and Kelloggs. BRS model has been made able to operators outside group and is thought to be only external consultancy uter service offered by a sport company.

BRS has also produced a model to help managers in its general haulage business — which accounts for about 50 per cent. of the group's turnover— to work on realistic costings. General haulage has become increasingly less profitable in the past few years because of the fierce competition from smaller operators. The model allows staff in the branches and regions to decide what a realistic quote for a job would be—even though the state of the market may not always permit such a quote to be made.

This programme, which began 18 months ago, uses the historic cost of operation on a rolling six-month average to split down the cost of running a vehicle to the hour and mile. So even if a vehicle is operated below the break-even point, at least the fact is known. Usually it is not until the end of the year in the transport industry that a manager can tell whether he has been running at a profit or loss.

BRS has also computerised its budgeting, and all branches have now made the switch-over. In the past the complexity of the budget was such that when new factors developed, like price rises, the up-dating was so time-consuming that it was not done and the budget consequently was ignored. By computerisation new data can be added whenever required and an up-dated budget produced.

Two other BRS programmes are a trunking model and a vehicle database. The trunking model analyses vehicle flows involving multiple supply and demand points. The database contains most British two-axle rigids in the 3.5 to 16 GVW range with details of their specification, price and suitability for different types of work. BRS uses this programme to produce indicative contract hire costing. At the moment the group is extending the database to include units and trailers.

David Freud

Problems in the cities

IN THINKING about the problems of freight operations in large conurbations, it is significantly easy to pick out three "typical attitudes" from the triumvirate of those concerned: the local authority, the public and the freight operator.

The road fleet operator we can easily imagine venting his belief that congestion is getting worse and that the council is doing nothing but creating more restrictions on lorry movements. The public says simply that living within earshot of juggernauts or weaving between them to the shops is intolerable The local authority commits itself to making the streets safer and quieter and, when the cash is available, plans more roads.

Of nowhere is it more true than the cities, that the people who live and work there do not know what they want in transport terms. The grand planner's solution of ringways and stilted urban motorways, although monumentally evident in some cities such as Birmingham and Newcastle, is if not now discredited for social reasons certainly ruled out by economic constraints. In most of our cities this has left an incomplete highways network, often environmentally unpopular in itself, which has failed to provide anything like a complete *answer to the disturbance of* the heavy lorry. At the same time, whether the public likes it or not, the high consumption society intensively represented in cities is precisely what turns the wheels of road freight faster and further.

This raises a challenge for the planners which goes far beyond mere highway planning, but it is a challenge which has only recently and even then spasmodically been met in this country. Because of its size and complexity, London offers the best description of the difficulties and, through the workings of its freight unit, hints at policy options which authorities with smaller resources may do well to consider.

The freight unit, set up under almost experimental conditions four years ago, says its concern is with the more than £1bn. a year which London spends on freight movement and with the freight industry itself, which it estimates accounts for 10 to 15 per cent. of the total income of the capital and employs about 300,000 people.

Impressive

These figures, apart from providing an impressive statistical justification for spending a little money investigating freight problems, have also taken the unit to its first principle: that freight transport is not to be treated solely as a nuisance whose visual and audible presence should be minimised through council policy but as an important industry in its own right. In the words of Mr. Martin Foulkes, head of the GLC freight unit, "our aim is to work with industry to improve every aspect of freight movement and to present our freight development as a marketing plus in seeking to reverse the economic decline of London. We also have to respond to the very real public concerns about the environmental impact of freight movement, but our experience is that a solution for the freight operator often satisfies the environmental case as well."

One of the freight unit's first acts was to encourage the establishment of the London Freight Conference, a non-decision taking forum where representatives of general industry, transport, police and amenity organisations are able to discuss freight policy in the presence of GLC officials and councillors of all parties.

Four years later, the results have not been dramatic and indeed the most publicised freight policy incident of the period apparently runs counter to Mr. Foulkes's first principle of working alongside rather than against industry. This was the proposal for a ban on night-time movements of heavy lorries *on through journeys* across London—a proposal which was ignominiously withdrawn having raised the wrath of everyone from the police to the boroughs through whose territory the vehicles would have been diverted.

"At least we don't have anyone even talking about major lorry bans now," says Mr. Foulkes, although he does not rule out the possibility of a ban on through movements when London's M25 outer orbital motorway is completed in the mid 1980s. But even here, he prefers to hope that the quality of the new route will make regulations unnecessary. There is also a ban on through lorries over 40 feet in length in a central six square-mile zone and a host of local lorry routeing schemes throughout London.

The end of the first chapter in the freight unit's life came last year when it published its freight policy—a document unique in local authority terms and unusual in the comprehensiveness of its approach even by central Government standards.

It lays out a policy designed to offer planning support for depot and access developments for freight movements by road, rail and water, aiming within geographical constraints to channel freight flows where they are most efficient for industry and retailers and least annoying for residents. It accepts throughout that policies requiring extensive enforcement or complex administration are not feasible.

The freight policy is a confident document and no doubt bolstered in this by its belief that the size of its problem in terms of vehicle numbers is not likely to change much in the next decade; thus allowing it a reasonably stable planning horizon.

It looks to the long term on energy and environment questions by suggesting the recently implemented pilot study of battery-driven, short-delivery vehicles and by committing itself to pressuring Government and the EEC into much tougher noise and emission standards for lorries. If it can get quieter and less smoky lorries (dangerous ozone concentrations far exceeded GLC air quality guidelines on a number of occasions during the hot summer of 1976) the council is even in favour of raising the maximum permitted weight for lorries to 38 or 40 gross tonnes, in line with the view of some other EEC states.

Two main methods of controlling lorries are envisaged: one is the development of the capital's roads along the lines of the 400-kilometre, 15-year plan recently published; the second lies in an adventurous programme to create a network of major freight interchange complexes, supported by a number of depots where small road haulage companies can share parking, maintenance and storage space.

The highway strategy emphatically rejects the urban motorway solution, of the kind which London embraced for a period in its 40-year "primary routes" plan. The new plan concentrates on creating radial connections to the outer orbital and the national motorway network and pays special attention to the road transport needs of the East London docklands, whose industrial and commercial future is the subject of a long-standing, but so far not very successful, revitalisation plan by the GLC.

Strategy

According to Mr. Foulkes, publication of this strategy with a definite timetable for construction was a vital component in creating confidence in the council's freight policy, much of which is still mainly on paper.

But 1978 should also see a major step forward in the programme of freight complexes, with an impending decision on which consortium will be allowed to develop the 40 acre British Rail site on the North Circular Road at Neasden as a freight complex and hypermarket.

The freight complex, modelled to some extent on the much bigger Parisian facilities of Sogaris and Garanor, but also able to draw to some extent on experience from a less sophisticated centre in Wakefield, Yorkshire, will be designed to provide storage, rail link, load clearing house, pallet pool, fuelling, cafe, hostel, servicing, customs facilities and possibly even some specialised installations such as cold storage. Like the small haulier depots, it will be financed by private capital, with the GLC simply providing planning support and improving access where necessary. After Neasden, a second site in East London will probably be developed.

The significance of even these large projects has, of course, to be set in the context of existing facilities: London has 10,000 acres of depots and warehouses already. But the GLC theory is that by working alongside the freight industries at the earliest stages of planning and site investigation it can influence development in line with its own strategic overview.

A similar approach has been in evidence in the selection of about 20 development depots in conjunction with British Rail and in the planning of future wharf capacity and making arrangements for vessel replacement among the lighterage operators on the Thames.

Mr. Foulkes is also keen to stress that alongside the policy formulation, the ten-man freight unit has been busy with freight casework. After a conference with industrialists last summer, for example, he invited his audience to submit specific problems associated with their own businesses. The freight unit is now about a quarter of the way through the 50 or so complaints about such matters as access and parking raised by the respondents.

Again, hardly dramatic, but it is all part of a process which will, Mr. Foulkes argues, eventually give London a freighting system better than that in any other capital in the world. This should mean more efficient distribution chains for industry and consequential benefits in prices paid by the London consumer who, although he may seldom reflect upon it, spends on average £150 a year on freight transport—more than he spends on public transport in the capital.

I.H.

Making the right choice

CAR FLEET management is becoming a recognised aspect of most large companies' activities. As the number of vehicles given to executives increases, and the amount of money tied up in the fleet goes up as well, it is clearly necessary to manage the cars as efficiently as possible. This means devising the cheapest means of buying the vehicles and the most profitable methods of selling them, as well as making choices about the type of vehicle based on its price, engine size, and the likely amount of maintenance it will need.

One of the reasons why British car manufacturers still have a strong grip on the company car market lies in their ability to direct their services to these kind of requirements. Conversely, their concentration on fleet demands has probably not helped their image with the general public: it has led in the long run, to a dull kind of utility vehicle with less visual *appeal than many of its overseas* competitors. Yet these utility vehicles are what, in the first place, the company buyer needs.

Domestic

Another factor which helps the domestic manufacturers against their overseas competitors is the method of bulk purchase used by many fleet customers. Vehicles can be ordered in very large quantities off the production line, so that they are fed into the factory schedules and despatched virtually direct from the manufacturer to the end user. By contrast, the importers find it difficult to carry the range of stock *necessary to meet these* kinds of demands, and have too long a pipeline to meet orders in this way.

Indeed, many importers do not carry anything like the full range of vehicles produced by their manufacturer because of the costs of stocking a great variety. This puts them at a great disadvantage with the larger scale customers who need a broad range of specifications to reflect the wide variety of uses to which the vehicles will be put.

The strength of the importers so far has been in supplying smaller companies with much more limited fleets. Customers *needing just single* vehicles or small numbers of up to fifteen or so, are much more likely to look towards an importer who can easily fulfil these requirements. Some importing organisations—Renault is a case in point—have recently established fleet departments specially to serve these needs.

For larger scale deals, however, the British manufacturers can generally offer much keener prices because of the ability to supply in bulk. Discounting on the normal retail price is an accepted norm in the fleet business, with both dealers and the manufacturer trimming their margins in order to shift the larger quantities of stock, which can be anything between *25 and 200 cars in the larger* fleets. The normal dealer discount offered by the manufacturer to the distributor is often trimmed back from between 18 and 22 per cent. to 10 or 12 per cent. with the manufacturer accepting a similar reduction, and these gains passed onto the customer.

The price of a vehicle, however, must be balanced against its resale value. This is where the question of reliability becomes of paramount importance, because a vehicle which may be quite acceptable over its first two years or 30,000 miles of operation—the kind of scale on which most fleets operate—must also be able to prove that it does not suddenly develop faults after this period if it is to be a success with second hand buyers. Second hand values, for example, have been one of the problems facing the Leyland Princess range, which ran into a series of quality problems after its launch three years ago.

One result of the need to achieve the best second hand value possible, and to dispose of vehicles quickly and efficiently has been the growth of a specialist services for used cars. On the one hand, many of the larger dealership chains, which used simply to pass on cars to auctions, have now established their own second hand departments which work on the vehicles and sell them as part of their retail activity, with full professional backing. Another has been the growth of the large auction companies themselves, such as British Car Auctions which now has 14 depots spread around the country.

The auction companies argue that they save important management time for companies wishing to dispose of vehicles, and that they also establish the true price for a vehicle because they operate in a balanced market place. There is no advertising and very little correspondence involved, and the seller has no problems of storing his used vehicles as, for instance, he does when he puts it out to tender.

Against these factors must be balanced the charges of an auction company—BCA charges an entry fee of £4 a vehicle and a commission of 7.5 per cent. of the price realised on the sale. But in many cases this may compare favourably with a part exchange deal

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Better outlook on the buses

R BUS and coach operators, 7 was an anxious year, but which turned out to be not bad as many of them had ·ed.

he biggest bonus for the bus was the switch of Govern- at policy in the June nsport White Paper, which pped the plan to whittle n subsidies for regional bus vices in favour of a policy of ole support at the cost of und £150m. a year.

hen at the end of the year, shape of the compromise ween Britain and its fellow C countries over the appli- on of the shorter driving day bus and coach drivers be- e clear and with a three- r phase-in secured, most t operators breathed a sigh relief.

ven so, very large problems ain. Stability of support for services is better than a cut, with the number of pas- gers carried by the National Company's subsidiaries still lining at around 4 per cent. ear, revenue shortfalls are ly to become greater rather n remaining constant — ess, that is, there is a syste- tic reduction of mileage to tch the decline in traffic. An ra financial pressure of some nificance is that the White per came out in favour of ducing or removing new bus nt after 1980-81, by which e the financial impact of the rter driving day—put at m. by the industry—will be king itself felt.

he problem of deteriorating s services, especially in rural as—those administered by so-called "shire" county ncils rather than the metro- politan county councils, is one which the Government showed itself greatly sympathetic towards in the White Paper, but where real solutions still seem some distance away.

Matters have been compli- cated by an essentially political row between Mr. William Rodgers, the Transport Secre- tary, and about a dozen of the county councils who are refus- ing to play ball with his new policy. Some of them, like Oxfordshire, have a well- developed position of cutting off subsidies to National Bus com- panies in favour of private oper- ators and contract hire services. Others simply resent what they see as an alliance between a Labour Government (all the authorities are Conservative- controlled) and a State-owned bus operator in telling them how much they should provide in subsidy for the latter. Some also argue, with what degree of fairness it is difficult to assess, that NBC companies are less efficient and more prone to restrictive behaviour by their unions than private bus oper- ators.

The upshot of this conflict has been that although Mr. Rodgers wanted the counties to spend more on buses this year to pre- vent the erosion of their services, he could not find enough takers and in the event the portion of Transport Supplementary Grant for bus subsidies in the shires is over 10 per cent. down for 1978-79. Ironically, Mr. Rodgers' biggest battle in allocating TSG the previous year had been in trying, unsuccessfully, to persuade the Labour-controlled South Yorkshire metropolitan authority to curtail its cheap fares policy and spend less on transport.

Caught in the middle of this conflict between central and local government, the National Bus Company has done well to keep its financial position under control, with a net sur- plus of £4.4m. in 1976 and a similar result expected for 1977.

This has only been achieved, of course, by carefully match- ing decline in passenger traffic with decline in mileage offered —a trend which although admirable in good housekeep- ing terms tends to limit any attempt by Government to, as Mr. Rodgers has put it, "stop the rot" in public transport.

Contribution

The Government's other main contribution to stopping the rot has been to include in its Transport Bill now before Parliament a requirement upon all county councils to write five-year rolling transport plans after discussion with other interested bodies, includ- ing the operators like NBC. The idea is to give the bus companies a more secure plan- ning environment, although the system can clearly only work in an atmosphere of goodwill—which is signally lacking in certain parts of the country now.

Another development in the last year has been official pro- motion by Government of experimental services involv- ing paid car sharing (to be legalised in the Transport Bill), community minibuses, postbuses and a variety of other low-cost public transport alternatives. Later, NBC responded to this initiative by declaring that where local authorities were prepared to put up the cash for a village minibus, and the villages the volunteer drivers, NBC would train drivers, maintain the vehicles and help with market- ing.

Much obviously remains to be done in this field and it is to be hoped that some of the ideas being tried do become genuine growth points rather than mere experiments, otherwise the 35 per cent. of households in rural areas still without access to a motor car will be condemned to virtual immobility.

The place of the privately- owned bus fleets, which in 1975 numbered 28,000 vehicles — 36 per cent. of the whole — is clearly of some importance. And it is here that the debate about the bus licensing laws becomes critical.

The Government, although it has created the opening for some experimentation and has slightly modified the powers of the Traffic Commissioners with respect to the five-year country transport plans, has resisted suggestions from the Conserva- tive front bench that there should be a more fundamental relaxation of licensing to allow private bus and coach com- panies greater freedom of assault on National Bus's and to a less extent British Rail's dominance of a large number of inter-urban express routes and on some urban, commuter routes. The argument against relaxation is that ordinary stage carriage bus services in particu- lar need the stability of a tough licensing regime to survive — or at least to survive with any pretence of giving a complete network service.

Positions within the industry itself vary enormously. At the one extreme is the five-vehicle coach owner (36 per cent. of the buses and coaches in Britain belong to companies with a fleet size of less than 14 vehicles) who says he is being squeezed out of good routes by a monopoly; then there is a company like Wallace Arnold, the biggest private coach com- pany in Britain, which wants a relaxation solely on the long- distance routes to enable it to attack National Travel, NBC's coaching and express subsidiary, and finally we have NBC which more or less wants the status quo, except that it objects to British Rail being able to object to its licence applications without having any similar right to comment on new marketing ventures by British Rail. This last, hard line view on licensing, is, inci- dentally, shared by the bus and coach industry's national asso- ciation, the Confederation of British Road Passenger Trans- port.

The fact is, of course, that everyone has something to gain and something to lose by change, although the degree of gain and loss differs. On the coaching side, for example, it was the licensing situation which restricted the big main- land European coach tour operators, like Cosmos, from gaining a foothold in Britain and thereby giving them access to the U.K. domestic coach tours market.

Independent

There are few national statis- tics about the coaching industry, its 5,000 independent operators and 20,000 coaches, but the in- dustry's view is that although certain parts of its market—such as private hire of coaches and U.K. holidays—have grown a little in recent years, the day trip excursion decreased to give an overall picture of a static market.

Wallace Arnold, with 300 coaches and subsidiary opera- tions in motor dealing and com- puter services, had on a turn- over of £39m. pre-tax profits of £1.1m. in 1976, of which about three-quarters was attributable to the coaching and holidays side. The result for 1977 is ex- pected to be about 20 per cent. up on the previous year. National Travel, meanwhile, has had two bad years, with a 17.5 per cent. drop in traffic and revenue static between 1976 and 1977.

Mr. Malcolm Barr, Wallace Arnold's chairman, sees the main opportunities for growth in U.K. coaching operations in packages marketed specifically for foreign visitors and in Euro- pean tours and express ser- vices, which have for Wallace Arnold been growing at about 5 per cent. a year in the number of seats offered over the past five to six years. His company has an ambitious programme for 1978, which should next year be made even more exotic with the addition of a direct service to Moscow at £49.25 single.

Mr. Barr supports, however, in spite of the improving per- formance of his own company, the widely held view within the industry that there are too many operators working on cut-throat rates and marginal returns within a market which contains no explosive source of growth for the general financial health of coaching to be regarded as sound. This is one reason why coaching companies are adamant with their pressure on Government for a reprieve from fuel tax.

Mr. Barr also believes that because of the industry's in- creasing capital costs—a stan- dard British coach now costs around £30,000 and the high- floored German models retail at almost twice that price —there will be a tendency for operators to seek working arrangements with each other to increase the utilisation of their assets. Interestingly, National Travel has this year launched a joint tour with its old enemy, British Rail.

Such joint ventures could lead to the development of more, larger companies, al- though it is unlikely that the strong regional flavour of coach- ing will ever disappear. In- deed, the experience of National Travel, which tried the central- ised marketing approach, has been that coach tours have to be sold on a local package basis.

Perhaps the greatest consola- tion for the industry, beset as it is with the toughest end of the EEC drviers' hours prob- lems, is that with earlier retire- ment and greater longevity, at least the size of its potential market is not getting smaller.

I.H.

Choice

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hich the garage trade is pre- ired to offer. And auction mpanies also offer a number extra services, such as clean- g and re-conditioning cars, for n extra fee.

The question of maintenance osts is another factor which as worked to the advantage of e U.K. vehicle producers. vidence produced by consumer ganisations show that British rs to-day are no less reliable an their competitors' vehicles lthough the most reliable dividual vehicles appear to be eign), and therefore spend out the same amount of time a garage. But U.K.-built cars re heavily on the price of ir spare parts, which are ch cheaper than their over- s competitors, and more dily available.

There are signs that im- ters will make a big effort become more competitive on s front during the next few rs. Citroen, for instance, has ently announced a 16 per t. reduction in the price of spare parts. On the other d, it is difficult to see how y can become entirely com- itive without altering the cture of their car pricing: many importers prices are d steady and competitive y because they can take her profits on their spares. hout this cushion they ld slide into unprofitability round.

he cost of maintenance has n one of the most influential ors underlying fleet car gn in recent years. This is few front-wheel-drive cars their way into fleets—they perceived as more expensive service because of their oped engine compartments the integration of engine gearbox.

ut there are now the first mmerings of change in this ude, particularly since the rgence of the Ford Fiesta Ford's attempt to introduce as a fleet vehicle alongside her models. In the longer virtually all small and ium-size vehicles will be gned with this sort of drive pattern simply because it offers great space saving within the vehicle itself—and space is now at a premium as designers try to make cars lighter and smaller and more economical. It is likely, for example, that the next Ford Escort will have front-wheel drive.

The area in which imported cars have made the biggest in- roads into company car selection is in specialist vehicles. A very large proportion of executive type vehicles go into the com- pany market—perhaps 90 per cent. of a car like the new Rover. But this preponderance of company sales, based on the fact that these sort of vehicles are a desirable perk, or that small businessmen can offset them against tax, has meant opportunities for importers. In particular, British Leyland's problems at both Jaguar and Rover have opened the door to alternative marques.

Among these, the Mercedes, Volvo, BMW and Audi have all made a significant impact. The new Audi 100, for example, achieved sales of only about one-third less than the Rover in Britain last year, and BMW has experienced a rapid accelera- tion in its sale of larger cars. Following on the success of these vehicles is coming a whole new range of specialist cars from the Continent, including the Citroen CX, the Peugeot 604, and the Renault 20/30 series.

Thus the market breaks down into two main slabs, with fleet cars which are bought in large volume for the use of represen- tatives on the one hand, and more specialist vehicles which tend to have a larger perk element on the other. For the bulk purchases there is little doubt that home-produced vehicles, with their well- equipped back-up services, are the best buy. But in the quality vehicles, selection depends much more on individual tastes and availability—and in many cases that may lead in the direc- tion of a foreign car.

Terry Dodsworth

Company car sales lead the way

COMPANY CAR sales have become by far the most important single component of the U.K. market. Vehicles purchased by companies directly for the use of their employees, or which are in some way paid for by a business rather than a private individual, now account for between 60 and 70 per cent. of all registrations in Britain.

This heavy reliance on corporate sales is a predominantly British phenomenon in Europe. Although a similar pattern is developing elsewhere in the EEC, particularly in France, it has not yet become such a dominant feature of the market that the industry is organised around it. Yet in Britain the structure of franchise arrangements, the development of specialised financing arrangements for buying cars, and even the design of the vehicles themselves, have been profoundly influenced by this development.

Quickest

The company car market has also played its part in determining the relative success of the major car manufacturers. Ford U.K. was by far the quickest to spot the potential of the corporate buyer, and in the 1960s it set out to exploit this market in every way possible. The Cortina and Escort models were specifically developed around the need for economic, lively vehicles with good carrying space and no frills which the average company needed. These two vehicles took Ford unequivocally away from the private-buyer end of the market epitomised by the Leyland Mini which sold mainly to first time buyers or as a second car.

Since the mid-1960s all the British manufacturers have become acutely aware of this trend. The Leyland Marina was specifically designed—in something of a hurry—to head off the Ford challenge in this field. The Chrysler Avenger and Vauxhall Viva were other vehicles emerging in this era. To-day the importers are trying to move into the company-car field as well.

There is little doubt that Ford's success in this area of the British market has contributed heavily to its achievement in overtaking British Leyland as the largest selling manufacturer in the U.K. This process has gone hand in hand with the development of a total range, a concept which has only been gradually adopted by other manufacturers, but which is likely to be a firm characteristic of the European industry in the next decade.

Ford evolved this range with the idea of giving the market a carefully graded sequence of vehicles. At the bottom of the structure it has small cars with low-powered engines, and at the top big cars with powerful engines, but in between it rings the changes to offer the utmost range of choice from different permutations of a limited number of body shells and engines. The idea is that somewhere within the mixture there is a vehicle for everyone, and that the car grading system will fully reflect the different status of people within a company.

The other big manufacturers in Britain are now beginning to copy this grading structure. Vauxhall, for example, has very deliberately widened its range with the introduction of the Chevette and Cavalier, and Chrysler has followed suit with the Alpine and Sunbeam. Leyland's new range of cars is also being planned with these careful gradations very much in mind.

With this depth of interest and activity being shown in company cars, it is very difficult to see the trend towards expansion in this sector being reversed within the next few years. The latest analyses from dealers and manufacturers suggest that between 60 and 70 per cent. of the total British market is in some way attached to company purchase—and they also suggest that this percentage is going up steadily.

The two main reasons for the increase in company sales are both financial. On the one hand, the price of new cars has gone up so swiftly in the last three years that private motorists have been frightened away. In an era of tight incomes control many motorists have simply not been able to afford the extra investment in a new vehicle, and the fact that car prices have also tended to go up disproportionately more quickly than other goods has also had its effect.

On the other hand, companies have increasingly come to regard the provision of cars as an extra way of paying their employees. Some employees, of course, need a vehicle as a tool of their trade. But many more are now being supplied with company cars which are used for very little other than travelling to and from work.

This trend is one more result of pay policy, since use of a company car can mean a lot in financial terms without in any way adding to an individual's wages. Indeed, one large company, ICI, had to be stopped by the Government (on income policy grounds) from implementing a very wide-ranging system of car provision for its middle managers last year.

The Government also stepped in a year ago to alter the taxation rules on company cars. This change of policy had the objective of reducing the perk element in the provision of vehicles so that it would be more difficult to use cars as a back-door method of paying employees.

The new system, introduced in April 1977, applies to all directors and any employees earning more than £5,000, who run cars which are available by reason of employment or used at any time for private use. Those employees who use the vehicle preponderantly for business purposes—defined as more than 25,000 miles a year—are charged tax only on half of the estimated benefit incurred by executives using the vehicle mainly for private purposes. But those employees who get only "insubstantial" business use out of their vehicle—defined as less than 10 per cent.—stand to incur even heavier charges, since their taxable benefit is deemed to be 20 per cent. of the original market value of the car.

The relevance of this new law to the car industry mainly relates to the different bands on which the "benefit" inherent in a vehicle are calculated. These are based on the cylinder capacity of the engine, and have a positive bias towards the smaller end of the range. For example, the benefit relating to a car of 1300cc or less is set at £175 a year if it is under four years old and £120 if older than that. Between 1300 and 1800cc it is set at £225 (£150 if more than four years old), and £350 if more than 1800cc (£235).

There is another complication in these regulations in that cars costing more than £6,000 automatically put their users into a higher tax band again. Thus, in effect, the regulations have given an added impetus to the established post-oil crisis market trend towards smaller cars. In particular, this has meant an upsurge in demand for smaller-engined vehicles, and has encouraged manufacturers to look for ways of powering large capacity vehicles with smaller units than in the past.

One side effect of this trend is that manufacturers are now trying to up-grade the specifications of their less powerful models to make them visually as attractive and comfortable as their larger, luxury cars. This involves adding higher quality trim, radios, stereo sets and so on to vehicles which in the past would have been regarded as very much at the utility end of the range.

At the same time, many executives are able to avoid the full impact of the new regulations by altering their driving habits. For example, employees who use their vehicles mainly for pleasure (that is, those who fall into the category of "insubstantial" users), have an incentive in pushing up their business mileage above 10 per cent. of their total use. Similarly, those who are quite close to the 25,000 mile level for business use have an equal incentive in pushing it over that level.

Lessen

Another device is to lessen the impact of running the vehicle for the employee by giving him company credit cards for petrol which is charged up directly with the employer. In this way, employees can have the petrol for private use paid for by the company.

There is no doubt that through legislation in the past few years, the Government has altered the character of the company car market. As these changes feed through, they can be expected to lead to considerable design alterations over the next few years. The big question for the British vehicle manufacturers is whether they can respond quickly enough to these — on engines they are not as well placed as some Continental producers — to keep the importers at bay.

T.D.

Shortage of drivers

THE TOTAL employed in road haulage has fallen steadily since the 1973 oil crisis and subsequent recession, and the trend is expected to continue during the early part of this year. There are encouraging signs, however, that the workload could pick up later in 1978 and that employment would show a corresponding rise. It is forecast that in five years' time employment levels of the early seventies will have been passed.

Ironically, despite the fall in employment the industry is suffering from a shortage of heavy goods vehicle (HGV) drivers. With increased demand for such drivers expected in the medium term the industry could be put in a difficult position, as there are insufficient training places to make up the shortfall. This could have serious repercussions in the U.K. economy as a whole, holding back the prospects for growth on the back of North Sea oil.

It is only in the past 10 years or so that figures on the haulage industry have been available. A statistical vacuum was filled by the Road Transport Industry Board, which began operating in 1966. At its inception the Board's first priority in the manpower field was to establish a suitable data base to give it both national and local information. In the first instance it was necessary to establish nationally based forecasts and plans to set out overall policies and priorities, but with refinement and development of its data base, manpower data is now available for a very detailed geographical subdivision of the country.

Other statistical information is available from Overdrive, a separate company set up within the Manpower group early last year. Overdrive operates as a specialist agency providing relief and contract drivers to the transport and distribution industry. It also conducts surveys within the industry which are published as part of the Manpower Index of work trends.

According to Overdrive's survey covering the first quarter of this year the road haulage sector is expecting a decrease in business compared with the corresponding period last year. The forecast is for a net fall of 11.2 per cent. in workload, compared with a net increase of 29.3 per cent. in the previous quarter.

The survey reports that a net decrease of 16.7 per cent. in sub-contracting is forecast in road haulage compared with a net increase of 2.1 per cent. last quarter. A net increase of 11.3 per cent. in staffing is expected, a little down on last quarter's increase of 11.8 per cent.

Overdrive states: "These changed expectations, particularly in workload and sub-contracting, reflect the seasonal downturn in business normally experienced in the post-Christmas period. The continuing net increase in staffing indicates optimism in the growth of business later in 1978, but may also reflect the shortage of HGV drivers from which the transport industry is currently suffering."

The industry's problem is mirrored in figures released last month by the Road Transport Industry Training Board (RTITB). These indicate that the shortage of HGV drivers will get worse before it gets better.

In its five-year plan from 1978-79 the Board warns that there could be a shortage of more than 1,000 training places in 1982-83 for HGV drivers. It estimates that 38,000 professional haulage drivers will be novices and 20,000 will require refresher courses covering altogether 280,000 days.

Training facilities are expected to be more than sufficient to meet hauliers' demands, but the needs of own-account operators are likely to upset the balance. At present there are a little less than 1,200 HGV driver training places—860 in group training associations and the remainder provided by companies. By 1982-83 the total is expected to rise to 1,500 — of which 1,100 will be in group training associations — catering for more than 300,000 training days, which is ample for hauliers' needs.

However, own-account operators are estimated to require anything up to 350,000 training days in 1982-83. The 500 or so training places in commercial schools and own-account operators' centres will not be able to cope with anything like that amount and the shortfall could rise to as many as 1,000 places.

The RTITB estimates that there were 110,000 drivers in road haulage last year, 8.3 per cent. down on the total of 120,000 two years ago. It forecasts that in five years time an additional 15,000 to 20,000 drivers will be required. It is looking for rapid economic expansion after 1978-79 — even though the number of unemployed in the country as a whole is unlikely to fall below 1m. before 1983. The road haulage industry is said to expect the 1973 boom level of activity to be recovered in 1980. After that date growth will accelerate still more.

Recruitment of craft apprentices has already risen and 1,800 are now employed by hauliers, representing one apprentice for every eight qualified mechanics. Over the next five years the number of craftsmen needed by hauliers is expected to rise by 1.5 per cent. a year from the present total of 15,000.

These forecasts are in sharp contrast to the recent past. In road haulage during the period 1974-76 there was an overall decline in employment of 8.4 per cent. Redundancy among heavy goods vehicle drivers was particularly heavy. Averaged out through the 1970s the total numbers employed in road haulage have been falling at the rate of 3 per cent. a year.

The recession caused a drop of 12 per cent. in the numbers employed by smaller companies. By contrast, one job in three was lost between 1970 and 1977 in the major national companies, mainly in the operative and support staff grades. The numbers are expected to continue falling until the end of the year, although at a smaller rate, at which point the decline should be complete. In 1979 both large and small companies are likely to experience a growing demand for labour.

Forecast

In the industry as a whole the RTITB forecasts that employment will rise slightly from this year until 1979 and then increase by 2½ per cent. a year up to 1982-83. "The increase in demand will affect particularly HGV drivers" says the Board. "The other occupation likely to be affected most is heavy vehicle mechanics. There is already a marked shortage of craftsmen in the industry despite the drop in turnover levels to the lowest for several years. An annual increase in demand of 2 per cent. is expected."

These expectations would bring the industry back to the rates of growth it was experiencing during the 1960s. Between 1964 and 1973 road haulage was the only transport method where activity increased—except for pipeline traffic, where traffic trebled. Both rail and water-borne transport fell back significantly. The volume of road traffic over that period increased by 7 per cent.

Within this total there was a substantial decline in the volume of freight moved by own-account operators, whereas professional haulage increased its volume by 37 per cent. and its market share from a third to nearly a half. It is the own-account operators re-expanding with the projected economic upturn that is likely to emphasise the shortage of skilled manpower.

David Freud

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Life with a devalued 'green pound'

BY CHRISTOPHER PARKES

TORIES are jubilant about success in the House of nons' vote on the devalua- of the green pound. The rnment is trying to console with the prospect that the ervatives can now be ied as the "Dear Food ." Farmers and consumers rying to sort out what it all s.

. John Silkin, Minister of culture, booming through Opposition glee at the end e debate, on Monday, pro- ed "against the advice of Government the Commons to-night voted for higher prices . . . The people will mber where the blame lies the prices go up."

e system of green curren- was devised to cushion nal markets from the im- of upward or downward ncy adjustments. The pound was (and still is) more than the real thing, e benefit of British con- rs; in the case of Germany the other way around: the Mark is undervalued, to enefit of German farmers. e food and farming tries, busy assessing the ficance for them of the 7½ cent. devaluation, are still ing what refinements they t expect in the application e change. Food importers exporters, on the other , have no time for contem- n. They are busy arrang- their affairs to avoid the impacts of the change.

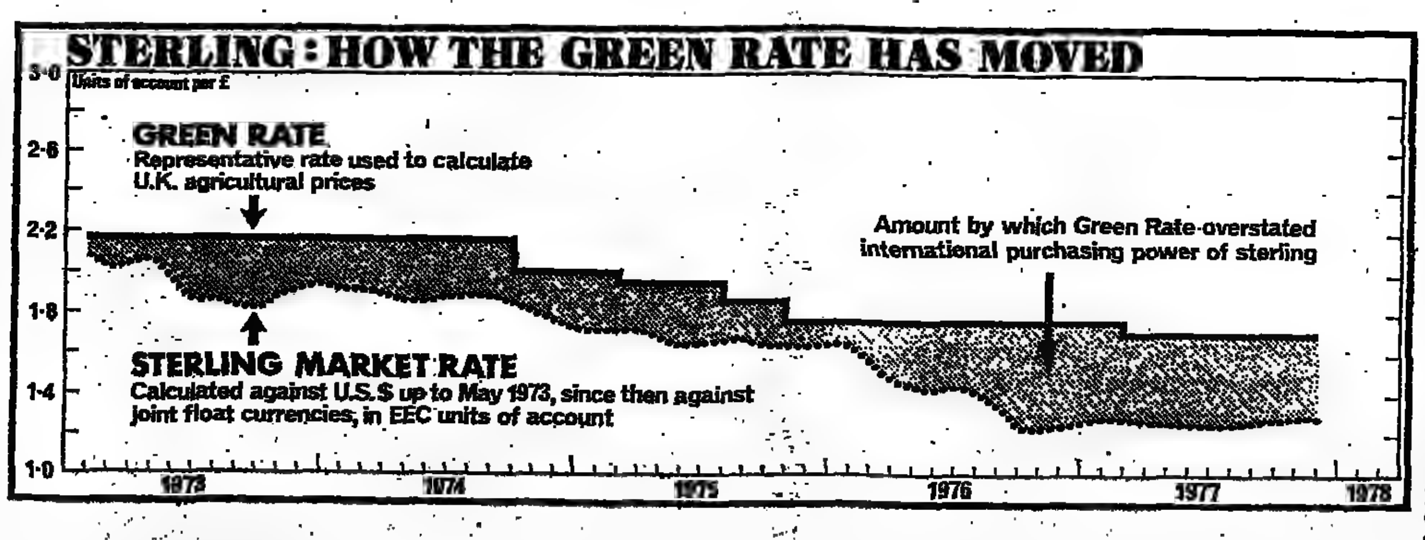
e devaluation, as Mr. Silkin een at pains to point out, intended primarily to help pig and beef farmers of in who have been squeezed e cost-price wringer for the 18 months, and many of n are said to be on the point ing crushed beyond salva- The national pig and beef herds have been declining te as part of the normal production cycle. But by now the downward line on the graphs should have started to turn up again. Instead it has carried on downwards

The first commodity to be affected, on February 1, will be bacon. The impact will be felt immediately by Dutch and Danish exporters who have been making free with the U.K. bacon market while the home industry has been languishing in depression.

At present these exporters to Britain collect an EEC Monetary Compensatory Amount (MCA) subsidy on bacon shipped to Britain of £236 a tonne. On February 1 it will be cut by £66 a tonne. Taken at face value that would lead to an average increase of 3p a pound in the price of Danish bacon. But Community life is a complex thing. Almost as if they were expecting something like the devaluation to happen, the Danes have been dispatching more bacon to Britain than usual in recent weeks and can be counted on to rush in as many sides as possible during the next seven days before the subsidy is cut.

With heavy supplies available at "old" prices, any increase in the wholesale price of Danish bacon in Britain can probably be delayed, or at least the impact can be spread. In any case importers of Danish bacon are not expected to pass on the whole of the rise to the consumer. They have a reputation for absorbing some price increases, at least temporarily, so as not to scare off consumers with big, sudden price rises.

The Government assumes that as the reduction of the subsidy forces the Danes to raise their prices, so the British bacon industry can increase its prices and pay farmers more for their pigs. Because the impact of the devaluation will not be felt in the grain market until August 1, pig feed costs will not be affected until sometime next autumn—another consolation for livestock farmers, and not much of a blow to the cereals men who have been doing fairly well for the past couple of seasons.



Beef extra

Beef producers will also benefit in a roundabout way. First effect of the devaluation will be to cut the import subsidy MCAs on beef from Ireland and elsewhere in the Community by 9p a kilo. This should help prevent other Community exporters from undercutting British producers as they have been accused of doing for the past year. The devaluation will also raise the intervention price—the level at which beef is bought off the market for stockpiling in EEC cold stores—by the same amount. After filtering back through the beef trading, slaughtering and processing chain, this increase in what is generally termed the "institutional price" will probably end up as an extra 4p or 5p a kilo in the beef farmers' pocket.

The dairy industry will also be affected from next week, and although no increase is expected immediately in the doorstep price of liquid milk for domestic consumption, dairies manufacturing cheese, butter, yoghourts and other milk products may have to pay more for their raw materials.

The devaluation will come as a considerable blow to the Dairy Trade Federation, the Food Manufacturers' Federation and the consumer groups which have been campaigning against any change and the inevitable consequences of dearer food.

The National Farmers' Union delegates gathered in London for their annual general meeting are complaining loudly that only the satisfaction of their long-standing claim for a 12½ per cent. devaluation will get agriculture going again after two years of depression, drought, and stagnation.

Feelings are mixed in Brussels. Considering that Mr. Finn Gundelach, the Commissioner for Agriculture, has asked Mr. Silkin to swallow a devaluation of around 3 per cent. from April next, he might be well pleased with the 7½ per cent. change forced through by the British Parliament. After all, when it is fully effective it will cut the Community's hand-out in British food subsidies by a quarter and down to a mere £750,000 a day.

But Mr. Gundelach had been looking for a more orderly reduction in MCAs throughout the Community as a whole. He had hoped the Ministers would approve this spring his scheme for reducing MCAs by one-seventh each year for seven years so the Community could enter 1985 freed for ever from the burden of the compensatory amounts. Clearly there will be no start this year on such a well-organised phasing-out. The French, for example, are already preparing for a 2.5 per cent. devaluation of the green franc on February 1, and are making noises which indicate a further 2.5 per cent. cut in April.

The Italians, too, have received the formal blessing from Brussels for a 6 per cent. adjustment in the value of the green lira. But there have been no signs yet—from the Germans for example—that they are willing to fall into line and revalue the green Mark, as they have been asked.

The way things are looking, such a move on Bonn's part could lead ultimately to an actual reduction in German farmers' incomes this year. Mr. Gundelach has attempted to gain German agreement to similar moves in the past and has been sent packing each time.

With such a hefty rise already in the pipeline for the benefit of British farmers, Mr. Silkin seems certain to cling ever more tightly to his demand for a freeze on the prices of surplus commodities — butter, dried milk, sugar and possibly beef and cereals—at the annual EEC price review negotiations which are just getting under way. His resolve should be strengthened by the knowledge that even before the review French farmers, the source of much of the milk and butter mountains, are fairly certain of a 5 per cent. price increase. And that is no way to get surplus production under control.

Mr. Gundelach has proposed an average all-round increase of basic EEC farm prices of about 2 per cent His original proposals included a combined devaluation of the green pound and a basic price rise which would increase the average farmers' returns in the U.K. by a fraction more than 5 per cent. But since Mr. Silkin has already over-stepped that with the present devaluation, it is difficult to imagine him tamely caving in at the Brussels talks and coming home with even more price increases for British farmers and consumers.

The Prime Minister himself stolidly opposed an early effort to win Liberal backing in the Commons debate with a compromise devaluation of 7½ per cent. Since this has now been forced on him, he will be in no mood to allow Mr. Silkin to go to Brussels with a free negotiating mandate.

Under these circumstances, Mr. Silkin seems to be fated to hold out against any further price rises for British farmers. This could lead to deadlock in the all-Europe prices negotiations which are supposedly scheduled to end before April.

Commission officials are not dismayed. They are drawing considerable comfort from the length of Mr. Silkin's shopping list at this year's price review. It was plain from the outset that any flexibility on his part would derive from the 30-odd per cent. by which the green pound has been out of line with sterling proper. Now that this flexibility has gone, they believe, he will have to give ground in some other sphere if he is to gain the concessions he is seeking. He is in no position, they say, to be immovably stubborn.

The keystone of Government policy towards the EEC farm regime is a reduction in real terms in the level of prices paid for farm produce. Mr. Silkin is under instructions to hold out for a price freeze this year in the worst surplus commodities.

Subsidy

Mr. Silkin is also understandably eager to keep the EEC consumer subsidy on butter, won at last year's review, and currently worth 8½p a pound. With a cumulative retail price rise this year of at least 13p a pound in prospect, the loss of the subsidy, or even a reduction could have disastrous effects on British butter consumption. Fortunately, most of the other agriculture Ministers, whose dairy industries rely on Britain to soak up much of their surplus output, are fully aware of the importance of this subsidy. This awareness, however, does not necessarily mean they will agree to its retention without extracting some concession from the British Minister.

Mr. Silkin is also seeking to legalise once and for all the special subsidised beef regime applied in Britain alone. And he is still pressing for a revision of the way in which the MCA subsidies are calculated on bacon. Devaluations help, but the lasting cure lies in this fundamental change which is so hotly opposed by those with most to lose—the Danes and the Dutch. Their opposition can only have been stiffened by the present 7½ per cent. devaluation of the green pound which will cost them so much in subsidies.

Letters to the Editor

[A]gricultural [ref]orm

[From] the Chairman, Bow Group of [East] Anglia.

[Sir],—The Parliamentary debate [on] the devaluation of the [Gree]n Pound has served to illu[strat]e the problems facing the [agri]cultural industry, but the [cal]l for reform—in the in[tere]sts of producer, processor [and] consumer—is of a wider [natu]re, particularly since the [appli]cation of Greece, Spain and [Port]ugal to join the EEC. Britain [has t]he opportunity to decisively [influ]ence the structure of Euro[pean] agriculture for the next [quart]er century and should [cal]l for the Common Agricul[tural] Policy is in many ways the [testin]g ground for unity and co[oper]ation. A four-fold policy [shoul]d now be pursued.

[Pro]duction targets should be [set a]nd returns assured for out[put w]ithin these limits on a two-[tier p]rice system: one for that [comm]odity within the EEC with [a pric]e which would give a fair [retur]n and any surplus sold by [the p]roducer at world market.

[Fut]ure agricultural increases [shoul]d be kept to the level neces[sary t]o cover the costs of effi[cient] producers. Small, ineffi[cient] farmers should be separ[ately] treated through the Guid[ance] Fund or, more probably [throu]gh the Regional or Social [Fund].

[A co]mmon price system based [on a] common trading price [shoul]d be established in view of [the dif]ficulty in achieving cur[rency] harmonisation.

[In th]e event of surpluses being [create]d, the disposal should [be by] the EEC primarily and [we se]e a repetition of the [...] sale of butter to Eastern [Europ]e which found its way [...] Italy.

[To th]ese structural measures [must] be added much greater [scrutin]y of food policy by the [Europ]ean Parliament. Until [such] measures have been devel[oped, t]he primary objective must [be to b]ring currencies better into [line in] order that U.K. produc[tion, p]articularly in the livestock [sector,] is not cut back further. [A phas]ed devaluation of, say, [... per] cent. every quarter, fol[lowing] an adjustment now, [would] give the necessary invest[ment in]centive to this key sector [of the] economy.

[...] R. Gregory,

[...] [H]igh Holborn, W.C.1.

[Ind]ex-linking [pen]sions

[From M]r. J. Carr.

[Sir],—If pension funds could be [investe]d only at fixed interest, [of cou]rse (January 12) could [be] right in thinking a 4 [per cen]t. real return on invest[ment] optimistic. But pension [funds c]an be invested in equities, [whose] average yield is now [...] 5¼ per cent. and which [have i]n the past yielded consider[ably m]ore to tax-exempt inves[tors].

[If f]uture share prices and [divide]nds could be foreseen with [certain]ty there would be no [difficul]ty in offering index-linked [pensio]ns to employees of private [firms] and the true cost of index[-linked] public sector pensions [could] be calculated. Although [this is] impossible, the object of [...] could be secured by [issuing] indexed Government [securit]ies with an interest rate [of per]haps 3 per cent., in which [private] individuals and insur[ance c]ompanies, as well as pen[sion f]unds, could invest. The [yield] on these bonds would be a basis for calculating the actuarial value of index-linked public-sector pensions.

J. L. Carr.

56, Bournemouth Drive, Herne Bay, Kent.

Actuarial jargon

From the Chairman, Martin Paterson Associates

Sir,—Let us not argue about how many sets of figures actuaries should give in normal pension fund valuations. The critical issue is how they have presented the costs of contracting-out. Here one set of assumptions, whether they are chosen by Mr. Burton, Mr. Hymans, or even Mr. Whitehead (January 23) will not suffice. The contracting-in option is a State insurance proposal with a guaranteed cost. Advice on the cost of contracting-out of this proposal therefore implies a judgment about the relative performance of a "privately" invested fund (private in this context including, of course, commercial insurance). On this the employer is fully entitled to take a view and to do so he needs to have forecasts on different sets of assumptions so that he can assess the likely area of risk.

Martin Paterson.

111, Hertford Street, Park Lane, W.1.

Men, women and houses

From the Deputy Chairman Abbey National Building Society

Sir,—Joe Rennison (January 21) takes a gratifying interest in our publication, but he draws some over-fanciful if not mischievous conclusions on our mortgage lending policy. Of course we do not discriminate between people in the way he suggests, and why on earth should we want to?

The figures given were faithfully recorded from 116,000 house purchases we assisted in 1977. As he says, it is clear from these that single women generally buy cheaper homes than their male counterparts, but he carefully avoids speculation on more sociological reasons.

Far be it from me to pontificate—your readers will have their own views—but could it be that most single men purchase in preparation for marriage, whereas women concern themselves only with own immediate requirements? Women certainly still earn less than men in many industrial occupations and in some others, and are they not also more cautious about their commitments and less optimistic about their future income prospects? Again, are men more apt to look on a property from an investment angle, and aim higher up the range? Are they better able than "the weaker sex" to manage the upkeep of a residence larger than their needs?

Mr. Rennison also points to the lower prices paid by joint purchasers other than married couples, and we have said that this is something of a variety category. It can cater, for example, for the inclusion of relatives helping young marrieds with the wherewithal, for students agreeing to share limited accommodation, and perhaps for a pair of brothers or sisters in temporary alliance pending one leaving to marry.

On the question whether such joint ventures can secure as high a loan as a married couple, one can envisage situations where it would be most unwise for the parties to make that their object.

May I say finally, on a more general note, that it is not our policy to adhere rigidly to a prescribed formula in judging the borrowing capacity of any applicant. Every individual is different—and single women, I might add, can be the most reliable of all.

H. L. P. Timberlake,

Abbey House, Baker Street, N.W.1.

British Leyland borrowing

From Mr. H. Miller, MP.

Sir,—The recent borrowing by British Leyland in the City of £50m. raises a number of questions. One of them most certainly is whether there was any guarantee by the Government or the National Enterprise Board of this borrowing. Neither the Financial Secretary to the Treasury nor the Secretary of State for Industry have answered my questions in the Commons on this point. But it would appear inconceivable that British Leyland could arrange further loans of this amount from commercial banks without some form of guarantee on the basis of its current performance. And indeed it was only the reluctance of the banks to advance further sums which led to the Government rescue in the first place, which I supported.

The tactics of British Leyland appear to have been to arrange for Government finance and then with this backing to borrow the money more cheaply in the City. Indeed, Lord Ryder admitted as much in evidence before the Trade and Industry Sub-Committee of this House. That's all very well but the money authorised by the House of Commons was for expenditure on capital investment and not for current purposes and I would doubt the validity of this backing for the banks if the money is required for current expenditure.

This also raises the point about the position of other creditors such as suppliers and Leyland dealers. It would seem wrong that the banks should be able to obtain security for their advance in preference to those other creditors in the circumstances. I have also been unable to obtain from either Minister any statement as to whether the Government is in fact willing to guarantee British Leyland debtors despite the observations of the Public Accounts Committee on this very point.

H. D. Miller.

House of Commons, S.W.1.

Miners dream at home

From Mr. A. Robb.

Sir,—I have recently acquired two items of interesting information, both of which affect me personally—but also several million others.

I understand that absenteeism in the Welsh coal mines is currently running at 37 per cent. That is to say that the average man is only working three days out of five every week in the year. I learn that anthracite supplies from the National Coal Board in South Wales to South Bucks (and presumably elsewhere in the country) are rationed, and if people like myself who burn this fuel want more than the coal merchant has been allocated, then all he can offer is imported Polish fuel of inferior quality (indeed, it will not burn properly at all in certain boilers and clogs up the fire with excessive ash and clinker).

My concern, I hope, goes beyond the personal. In all the public discussion and media coverage of the recent miners' claims for wage increases and the rejection and subsequent acceptance of productivity related pay increase, why does this sort of information not have greater publicity?

Surely it is very relevant. For the miners to work four days a week does not seem unreasonable (I hope the rest of us, whoever we are, still average rather more than that). It would increase productivity by 33 per cent. Or am I being naive?

May I say I do not blame the miners for this situation, but the management who allow absenteeism of this magnitude and the politicians who provide a structure of welfare and attitude of mind which support it.

A. D. Robb.

Clerebank House, Forty Green, Beaconsfield, Bucks.

Strains in the U.S. banks

From Mr. R. Wilkinson.

Sir,—In his letter of January 24 Mr. Attkins questions Anthony Harris's assertion in his Lombard column of January 17 that central bank intervention in dollar support operations reduces U.S. money supply. He points out that U.S. Treasury sales of either marketable or non-marketable debt reduces the need to tap the domestic market so that the effect on the money aggregates is neutral.

Surely the point Mr. Harris was making was that the effect of support operations is to reduce the money supply in the sense that it is lower than it would otherwise have been without the intervention. In this sense the potential growth in the aggregates is nullified without Federal Reserve action. As Mr. Harris points out, in this very important sense central bankers are controlling the U.S. money supply policy.

Eventually, lending in the U.S. banking system, principally to finance operations against a weak dollar, will become excessive. When this happens the money aggregates as reported may look relatively comfortable, but will not prevent a credit crunch, and rising interest rates.

R. P. Wilkinson.

Ocean House, 10/12, Little Trinity Lane, E.C.4.

Saddled by Liberals

From Mr. M. Minter

Sir,—Four years of Socialism have brought small businesses to their knees. Multi-rate VAT, high personal taxation and increased Government interference at every stage have been hallmarks of legislation since 1974.

It is, therefore, very disconcerting to find that Mr. David Steel and his Parliamentary friends are prepared to saddle the country with yet more months of Socialist rule.

The electorate must surely now draw the conclusion that the Liberals must never again be in a position to exercise the balance of power. Their natural inclination seems to be to tilt the balance in one direction only, and that can mean disaster for free enterprise.

Michael Minter

(former Liberal Parliamentary candidate, 1974).

38, Great Thrift, Petts Wood, Kent.

To-day's Events

GENERAL

Labour Party national executive meets.

TUC General Council meets.

South Wales miners hold new ballot on NCB pit productivity scheme.

National Farmers' Union annual meeting ends, Central Hall, Westminster.

Mr. Constantine Karamanlis, Greek Premier, arrives in London for talks with Prime Minister on bid by Greece to join EEC.

Mr. Reginald Freeson, Minister for Housing and Construction, chairs conference on "Small Firms in the Inner City" at Leeds Civic Hall. Other speakers include Mr. Robert Cryer, Under-Secretary, Industry, and Mr. Kenneth Potts, chief executive, Leeds City Council.

International Hotel and Catering Exhibition opens, Olympia (until February 1).

Sir Peter Vanneck, Lord Mayor of London, attends Fruiterers' Company dinner, Plaisterers' Hall, E.C.2.

PARLIAMENTARY BUSINESS

House of Commons: Scotland Bill, committee.

House of Lords: Debates on international conference on tanker safety and pollution prevention; and on contribution made to the economy by tourism.

Select Committees: Science and Technology (General Purposes sub-committee). Subject: Filament and discharge lamps. Witnesses: Prof. S. Prais and Mr. I. D. M. Meiklejohn (10.30 a.m., Room 8). Overseas Development Committee. Subject: Renegotiation of Lome Convention. Witness: Mrs. Judith Hart, Minister for Overseas Development (4.15 p.m., Room 6). Expenditure (Social Services and Employment sub-committee). Subject: Employment and training. Witnesses: Manpower Services Commission (4.30 p.m., Room 12). European Legislation Committee. Subject: Agriculture Price Review 1978-79. Witness: Mr. John Silkin, Minister of Agriculture (4.30 p.m., Room 15). Nationalised Industries (sub-committee C). Subject: Bank of England report and accounts. Witnesses: Bank of England (4 p.m., Room 8).

COMPANY RESULTS

Tate and Lyle (full year). Union Discount Co. of London (full year).

COMPANY MEETINGS

Devenish (J. A.), Weymouth, 12.30. Gleeson (M. J.), North Cheam, Surrey, 12. MEPC, Dorchester Hotel, W., 12. Rodman Heenan, Connaught Rooms, W.C., 12. Whessoe, St. Ermin's Hotel, S.W., 12. Wolverhampton and Dudley Breweries, Dudley, 12.

COMPANY NEWS + COMMENT

Davy International at £8.4m. midterm

PRE-TAX PROFITS for the six months to September 30, 1977, at Davy International rose from £7.3m. to £8.4m. Profits for all 1976-77 came to £18.78m.

Sir John Buckley, the chairman, says that the year to date has been satisfactory and although there will not be the same dramatic increase in earnings in the Davy companies as was seen last year, full-year results will be good and liquidity remains strong.

The interim dividend, to be paid in early April, is lifted from 3.25p to 3.63p net per 25p share costing £1.37m. (£0.94m.).

Earnings of the Head Wrightson companies have been maintained during the current reorganisation and integration between the relevant parts of Davy and Head Wrightson, which is making steady progress, says Sir John.

Herbert Morris is maintaining a reasonably satisfactory position, notwithstanding the keen international competition in the markets it serves.

The overall order position has been held at about the £1.2bn. level but world economies continue to lack buoyancy and the getting of orders demands effort: high efficiency is essential to maintain competitive strength, he adds.

Members are told that the figure for work done is influenced by changes in the mix of contracts and by the effect of currency changes and undue significance should not be attached to the slightly lower level. It is not possible, at this stage, to calculate precisely the tax charge for the year as this will depend on the accounting treatment of deferred tax which, in common with other companies, is being studied. First-half tax, including deferred tax, is charged at 52 per cent. Included in the extraordinary items is a gain of £1.78m. on the disposal of the shareholding in British Rollmakers Corporation. Although no tax is payable as a result of this transaction, a deferred tax adjustment has been made.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Although borrowings rose from the year-end levels of around 109 per cent. of shareholders' funds falling interest rates have left the actual charge little changed. The group operates in the more resilient childrens' clothes market which accounts for around a half of sales. With higher orders reported for the U.K. there is little reason why the group should not hold onto the 18 per cent. increase in the second half. At 96p (up 2p) the shares yield 9.6 per cent., and stand on a prospective p/e of 10.

United British Securities improves

After tax of £586,328, against £577,655, available revenue of United British Securities Trust improved from £876,666 to £937,399 for the half year to December 31, 1977.

As already announced the interim dividend is lifted from an equivalent 1p to 1.25p net—the previous year's total was an equivalent 3.975p.

Net assets at the half year end were 158p (140p) per 25p share.

Halfway drop for W. G. Allen

ENGINEER W. G. Allen and Sons (Tipton) is heading for a fall in full-year earnings after a £55,000 reduction in pre-tax profits to £180,000 in the September 30, 1977 half year.

Directors say second half results are unlikely to equal last year's final half performance. Profit for the whole of last year was a record £0.63m.

But they say the latest projections support their intention to increase dividend by the maximum permitted 10 per cent.

Trading conditions were mixed in the half-year with sales of free-standing air heaters particularly good and sales of steam boilers increased.

Sales of hot water boilers and fabrications at the Tipton works and of mechanical handling equipment continued to reflect the lack of any recovery in capital investment and construction.

Output at Tipton was also severely restricted in August and September by wage disputes which continued into October and November.

The Tipton works' ability to produce was also hampered by British Oxygen's inability to make deliveries, also a result of wage disputes. The overall effect was to reduce margins.

The reduction in profit came on sales ahead from £2.73m. to £3.1m., and the result is subject to tax of £93,000 (£122,000).

The interim dividend is unchanged at 0.8p net. An adjusted 1.768p final was paid last year. There was a one-for-10 scrip issue in October.

Ratcliffe makes headway

For the six months to October 31, 1977, precision spring manufacturers and painting contractors, F. S. Ratcliffe Industries reports an advance in pre-tax profits from £86,710 to £114,783.

After tax of £60,000 (£45,500) earnings per 25p share are shown to be ahead from 5.18p to 6.89p.

The net interim dividend is maintained at 1p. Last year's total was 4.7p from profits of £176,163.

A recent professional valuation of the company's properties totalled £200,000 which represents, in total, an increase of £121,466 in net book value as at October 31, 1977.

Advance by R. & J. Pullman

MERCHANDISERS and manufacturers of garments and textiles, R and J Pullman lifted pre-tax profits from £342,000 to £403,000 for the six months to September 30, 1977, on turnover of £6.25m. compared with £5.16m. Profits for all 1976-77 were a record £946,000.

The directors state that towards the end of the first half, signs of an improvement in home trade appeared and these have become stronger in recent months. With orders in hand well ahead of last year, both from the U.K. and from overseas, they anticipate a very satisfactory increase in turnover and profits for the full year.

After incorporating stock appreciation relief there is no tax charge (£10,000 adjusted) and earnings are shown at 7.04p (5.8p) per 5p share. The interim dividend is lifted from 1.65p to 1.81p net. Last year's final was 3.7785p.

● comment

Virtually all the improvement in pre-tax profits in R. and J. Pullman's first-half was accounted for by a rise of around 65 per cent. in export profits; export profits are now around £141,000. Meanwhile at home performance was flat, as costs rose. The only benefit that the group reaped from the doubling of leather prices between January and August was the elimination of its tax bill through stock appreciation relief.

P. Black near £1m. at midway

REPORTING pre-tax profits ahead from £804,000 to £994,000 for the half year ended October 31, 1977, the directors of footwear and travel goods manufacturers, Peter Black Holdings say that as always the group is subject to market and margin pressures, but the order position is healthy and "we face the future with confidence."

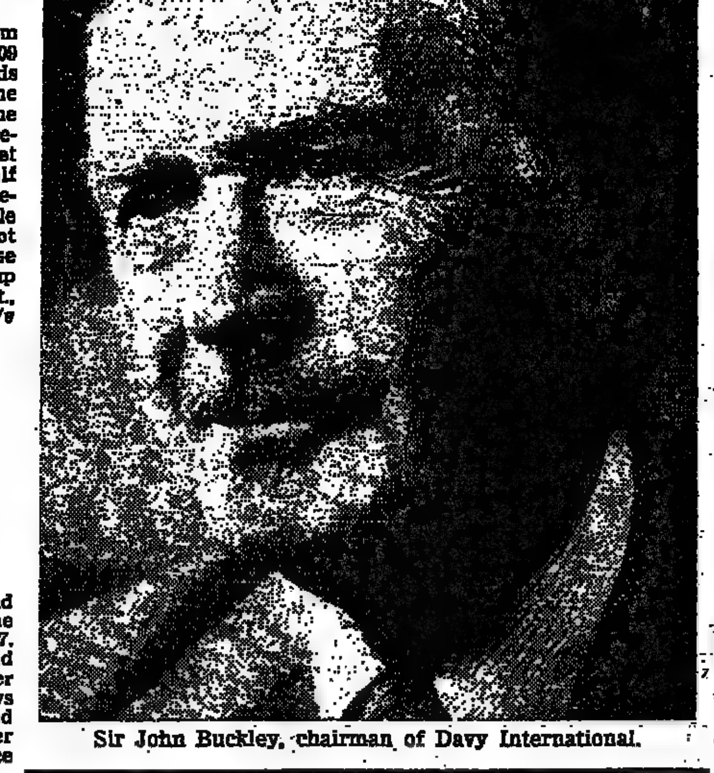
Earnings are shown at 11.92p (9.65p) per 25p share and the interim dividend is raised from 2.2p to 2.42p net. Last year's total was 5.75p paid from earnings of 17.53p. Pre-tax profits came to £143m.

● comment

With most of Peter Black's one third sales rise coming from volume growth, the first half results show that the company's diversification into the growing U.K. leisure markets is continuing to pay off. Apart from gaining market share in the traditional slipper trade, the important footwear division, which has been increasing manufacturing capacity, has broken new ground with outdoor footwear such as training shoes and plimsoles. This is also evident in the growing leisure division, which distributes the Adidas product range, and in travel bags, but the latter has been susceptible to lower consumer spending. Overall Peter Black's increased merchanting activities has meant a big jump in stock levels (up 90 per cent. at end April 1977) and higher interest charges are squeezing margins. The shares, at a 1977/8 high of 134p, yield a prospective 7.3 per cent.

ASSOCIATE DEALS

On January 20 Cazenove bought 25,000 Updown Investment shares at 58p xd for the account of their investment clients. On January 23, it purchased 5,000 A. J. Mills (Holdings) Ordinary shares at 99p for the account of Gibbs Nathaniel, and 60,000 Madame Tussaud's Ordinary shares at 65p on behalf of S. Pearson and Son.



Sir John Buckley, chairman of Davy International.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
W. G. Allen	0.8	March 31	0.8	—	2.56
Amal. Distilled Prds. ...int.	0.5	Feb. 28	Nil	—	0.25
Peter Black ...int.	2.42	May 1	2.2	—	5.75
Davy International ...int.	3.63†	—	3.25	—	9.85
Glass Glover	0.99	April 1	0.88‡	1.23	1.1
Green Group ...2nd int.	3	March 24	1.75	4.25	3.75
Kingside Inv.	1.7	March 29	1.4	2.25	1.9
MIM Holdings ...int.	3§	April 10	3	—	9
R. and J. Pullman ...int.	1.81	—	1.65	—	5.48
F. S. Ratcliffe ...int.	1	—	1	—	4.7

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Paid as final 0.527p and second final 0.3568p. § Australian cents.

£3.2m. Australian losses hit Carpets

REPORTING HIGHER than expected losses of some £3.2m. from Australian subsidiaries, Mr. Roger Wake, the chairman of Carpets International, warns shareholders that it is unlikely that the directors will be able to recommend the payment of a final dividend in respect of 1976-77.

The performance by the U.K. subsidiaries and other overseas operations has been satisfactory in the prevailing circumstances, says Mr. Wake. However, most of the resultant profit has been eroded by the losses in Australia and therefore, he tells members that he is taking the exceptional step of reporting now rather than waiting for the preliminary announcement in April.

At half-time, the chairman warned that Australian losses would be severe, but expressed confidence that Pacific Carpets International would be trading profitably by the end of the year. He believes it would have done so, following the closure of Axminster weaving operations, "if there had been even a moderate improvement in trading conditions in what is traditionally the main selling season—the last four months of the year."

In the event, performance did not improve, and trading remained at recessional levels not helped by the 11-week power strike in the State of Victoria and the disruptive effects of a General Election, members are told.

With the aid of management consultants the directors are consolidating operations at Tottenham, Melbourne, and closing the plant at Granville, Sydney. They are concentrating the spinning at Bendigo, Victoria, and have sold the freehold at Footscray, Melbourne. These moves will significantly reduce overhead costs as well as improve the financial position of the company, states the chairman.

Product ranges are being progressively rationalised and the directors are pursuing a strategy of concentrating upon those areas which they believe will yield the best results in the future, namely tufted and printed carpets. Full advantage will be taken of the modern Zimmer and Stalwart printing plants, the output from which is steadily increasing, they say.

See Lex

Hickson & Welch warning

IF PRESENT trends continue Hickson and Welch (Holdings) will have difficulty reaching last year's record £10.14m. profit, Dr. T. Harrington, chairman, says in his statement with accounts.

He says world trade remains depressed and demand from its large markets in Western Europe and the U.S. is less than at the same time last year. Also the improvement in sterling will depress the export trading profit.

But the group continues to improve efficiency and increase the productive capacity of its plants and its range of products. The sterling value increase will also make imported raw materials cheaper.

When improvement does come to world economies Hickson will be in a position to produce better results than any yet achieved.

Capital spending for the current year is planned at £7.4m.

As reported on January 13, turnover to September 30, 1977 rose from £54.46m. to £68.11m.

More inflow into building societies

Results from three big building societies confirm the evidence of a large increase in the inflow of funds during 1977. At Bristol and West, the biggest of them, gross receipts rose by 51 per cent. during the year, to £288.5m., and the net investment inflow of £113.1m.—boosted to the tune of some £9m. by a transfer of engagements from the Swansea based South West Wales Building Society—showed a rise of almost 92 per cent. Net assets at the year-end, in consequence, showed an improvement of 30.08 per cent. at £569.19m.

Bristol and West has been quite happy to go flat out for growth and to use it to build up liquidity—up from 25.99 per cent. of assets to 31.27 per cent. by the year-end. Partly because of the modest increase in house prices during the year, and partly because borrowers were cautious in their requirements, the amount lent to housebuyers rose by only 10.5 per cent., to £100.6m.—though that was a record for the society.

Guardian Building Society, in contrast, reckons that the quality of borrowing has already started to fall, and after a rise in liquidity from £45.71m. to £57.85m.—some £14m. of which was put into the National Savings Bank before the new deposit limits were imposed in the summer—the society is now going for a policy of controlled growth. The net investment inflow rose by 16 per cent. during 1977, lifting total assets by 16.9 per cent. to £207.73m. The amount lent on mortgage increased by 13.8 per cent., to £148.62m.

At Bridgwater Building Society advances increased by some 12 per cent. during the year. Assets rose by 21.5 per cent., to £117.5m.

ISSUE NEWS AND COMMENT

Geers Gross package raises £1.14m.

The prospectus is published to-day in connection with the requotation of Geers Gross and the 2¾m. shares being issued following the acquisition of the U.S. advertising group Richard K. Manoff.

Geers shares were suspended at 51p last December pending details of the $3¼m. deal.

To finance the purchase Geers has arranged a one-for-one rights issue of 1,421,400 shares and a placing of 1,328,600 shares, both at 41½p each.

Geers, which first came to the market in November 1969, acts as an advertising consultant with most of its business concerned with packaged goods and other consumer products. No single client accounts for more than 15 per cent. of turnover.

Geers acquired Browne's Advertising in 1974. Browne's is mainly involved in new newspaper advertising.

Profits before tax have risen from £184,000 in 1972 to £275,000 in 1976. In the first nine months 1977 Geers Gross made pre-tax profits of £134,000. Profits before tax increased every year apart from 1974 when there was a £69,000 setback. The following year Geers bought Browne's.

The business carried on by Manoff was founded in 1956 by Mr. Richard K. Manoff. Like Geers its advertising activities are mainly confined to consumer products. No client accounts for more than 17 per cent. of turnover.

Profits before tax, but after profit sharing and bonus, at Manoff rose from $240,000 in 1972 (year end November 30) to $700,000 in 1976. In the nine months to August 31, 1977, profits were $288,000. Profits before tax expanded each year apart from 1974 when they fell from $257,000 to $161,000.

Turnover at Geers for 1977 is estimated at £8.3m. (£8.6m.), the decline being the sale of Browne's Recruitment Division. Profits will amount to not less than £280,000 (£275,000). The directors are recommending a final dividend of 1.71036p per share making a total of 2.52536p.

Manoff directors indicate that full-year profits will be lower at $1.156m. ($1.177m.) despite a 15 per cent. increase in fee income to $4.8m. which was absorbed by higher payroll costs.

Geers is forecasting a profit for 1978 of not less than £350,000. Manoff directors are forecasting not less than $1.6m. for the 13 months to December 1978 of which $900,000 (£462,000) will be attributable to Geers.

After allowing for interest costs on the purchase the combined profit forecast is £685,000 which will mean earnings per share on weighted average capital of 5.82p.

A net dividend of 3p is forecast.

Brokers to the company are Sheppards and Chase, and dealings start February 1.

● comment

The acquisition of Manoff by Geers Gross with the subsequent rights issue and placing have been made with an eye to the future rather than any immediate gains. Initially there will be some earnings dilution, but this is probably no more than ½p, and though the underlying net asset base will be eroded this is not too relevant for a business such as Geers. Prior to the deal net assets per share were close to 11p but afterwards there will be precious little after stripping out goodwill. In theory profits should benefit long term from an interchange of international clients. Small shareholders who are offered 731,400 new shares are faced with rather heavy terms, one-for-one. However, since Geers was suspended at 51p last month the shares of some of its contemporaries have performed well, Saatchi is up by 20 per cent. and Brunning 13 per cent. A likely ex-rights price could be in the high forties. Assuming 47p the prospective p/e would be 8 and the yield would be 9.7 per cent. At that level the yield is the obvious prop.

Yearlings rise to 7%

The coupon rate on this week's batch of yearling bonds has moved up to 7 per cent. compared with 6¾ per cent. last week. The bonds are issued at par and due on January 31, 1979.

The issues are: Newbury District Council (£½m.), Renfrew District Council (£½m.), City of Sheffield (£¾m.) City of Dundee District Council (£1m.), City of Leeds (£1½m.), Corporation of London (£½m.), Cambridgeshire County Council (£½m.), Charnwood Borough Council (£½m.), North-tyneside Metropolitan Borough Council (£½m.), Slough Borough Council (£½m.), Southwight Borough Council (£¾m.), London Borough of Merton (£½m.), Grampian Regional Council (£1m.), London Borough of Redbridge (£1m.), Clwyd County Council (£1m.), Kirklees Metropolitan Borough Council (£¾m.) Borough of Eastleigh (£¾m.).

Two-year bonds carrying 8¼ per cent. interest and due on January 23, 1980, at par are issued by Corporation of London (£½m.) and East Hertfordshire District Council (£½m.).

Variable-rate five-year bonds with interest of ¾ of a point over Libor and due on January 19, 1983, at par have been issued by Borough of Pendle (£½m.), Trafford Borough Council (£½m.), Sevenoaks District Council (£1m.), Borough of Thamesdown (£½m.).

Orkney Islands Council has raised £½m. through the issue of 10¾ per cent. Bonds due January 19, 1983, at par.

MINING NEWS

Hamersley sells less but earns more

BY KENNETH MARSTON, MINING EDITOR

DESPITE lower shipments of ore and pellets of 33.1m. tonnes against 36.09m. tonnes in the Rio Tinto-Zinc group's Australian Hamersley Holdings reports a 1977 net earnings figure of $A57.8m. (£34.05m.) compared with $42.29m. in the previous year. A final dividend is declared of cents (4.7p) which makes a year's total of 16 cents compared with 11 cents for 1976.

Iron ore contracts with Japan, the major customer for Australian supplies, are written in U.S. dollars. Thus Hamersley has gained from last year's reduction in the exchange rate for the Australian dollar against that of the U.S. Furthermore the company will have enjoyed, in the second half, benefits of higher prices negotiated for some of its contracts.

As far as the current year's outlook is concerned, shipments will be dampened by the continuing world recession in the steel industry, particularly as far as the Japanese and Western European iron ore customers are concerned. "Difficulties in the market place are continuing," says Hamersley, but the company will also benefit from a full year of the 1977 iron ore price increases.

On balance, therefore, it seems reasonable to hope that Hamersley may be able to match its 1977 earnings in the current year. Any improvement in the steel industry which seems remote at the moment — would quickly be reflected in Hamersley's sales and earnings, especially in view of the company's increased stockpile of iron ore and pellets.

RTZ's 72.6 per cent.-owned Conzinc Riotinto of Australia holds 54 per cent. of Hamersley. Shares of the last-named were in London yesterday.

GUINEA TO JOIN URANIUM SEARCH

A joint venture of Japanese and French interests with the Government of Guinea is being set up to explore possible uranium deposits in Guinea, according to Japanese Press reports.

The parties involved are said to be Japan's Power Reactor and Nuclear Fuel Development Corporation, which will provide 40 per cent. of the undisclosed costs, and Compagnie Generale des Matieres Nucleaires (Cogema) of France which will meet 50 per cent. of the costs. The Guinea Government will provide 10 per cent., the newspaper Nihon Keizai Shimbun said.

It is thought that a contract will be signed in March and that the focus of the exploration effort will be the eastern part of the country.

It has already been established that there are indications of uranium in Guinea. So far, however, uranium production in West Africa has been centred on Niger and Gabon.

Alcan profits rise sharply

DURING 1977 net income at Alcan Aluminium, the Canadian group, surged to $201.5m. (£108.75m.) from $44m. in the previous year when smelter operations were set back by long strikes, John Soganich reports from Toronto.

Mr. N. V. Davis, the Alcan chairman, stated: "Whether the 1977 rate of profit will be sustained in 1978 will depend on many factors, but principally the state of the world economy. However, our present sales estimate for the first quarter is higher than the fourth-quarter sales."

Alcan's profits in that last quarter of 1977 were $62.7m.

Leaving aside the effects of Alcan's labour problems in 1976, the rise in profits last year reflects a general recovery in the aluminium industry. Another recent indication of the more favourable conditions was the announcement at the end of last week that Alcoa of Australia had boosted its 1977 profits by nearly 53 per cent. over 1976 to $A65.2m. (£38.3m.).

An increase is also expected from the Rio Tinto-Zinc group's Australian operator, Comalco, when its figures are announced shortly.

MIM HALF-YEAR

Australia's MIM Holdings base-metal group has made an unaudied net profit for the half-year to December 18 of $A20.08m. (£11.81m.) compared with $A18.4m. in the same period of the previous year. The increase is stated to be the result of increased metal sales.

It is also stated that MIM made an extraordinary gain of $A7m. from the sale of its stake of 7.2m. shares in Thiess Holdings to Shell Australia. An unchanged interim of 3 cents (1.8p) is declared. MIM were 138p in London yesterday.

Zambian copper output slips to 10-year low

ZAMBIAN COPPER production last year was the lowest for ten years, according to preliminary figures from Roan Consolidated Mines (RCM) and Nchanga Consolidated Copper Mines (NCCM), reports Michael Holman from Lusaka.

Company spokesman put RCM output at 250,000 tonnes and NCCM at 400,000 tonnes. The total of 650,000 tonnes is the lowest since 1966, when the output was 623,000 tonnes.

The 40,000 tonnes drop in RCM production from 1976's 290,000 tonnes seems mainly owing to the fact, noted in the company's last anual report, that the electric furnace at Mufulira, the company's largest smelting unit, was out of commission for the first half of 1977 because of scheduled maintenance.

Meanwhile Zambia's President, Dr. Kenneth Kaunda is reported as saying that some loss-making copper mines would have been closed but for the fact that Zambia has "a people's Government."

Dr. Kaunda has commented several times on the plight of RCM and NCCM, both of which face severe financial difficulties as a result of the sustained depression in prices. Earlier this month he pledged an unspecified production cutback.

Asked last December about possible mine closures, Dr. Kaunda said that if other measures to restore the country's ailing economy "don't support the mining industry strongly enough to keep it going, then, of course, we might have to close some of the mines . . . a very painful decision because it means thousands will be thrown out of employment."

A seven member committee on cost-cutting in the industry originally due to report to Dr. Kaunda at the end of December, is still meeting

Glass Glover £110,000 rise

FOOD DISTRIBUTORS and importers of fresh fruit and vegetables, Glass Glover Group reports turnover up by 26.7 per cent. to £24.12m. for the year to September 30, 1977 and an advance in pre-tax profits from £323,685 to £432,689.

At midway, when profits stood at £127,526 against £100,219, the directors said the full year surplus would comfortably exceed that of 1975-76.

They now say that current trading is in line with expectations and in 1977-78 the group should be able to maintain and improve upon the results now reported.

Earnings are shown to be ahead from 2.3261p to 3.6334p per 5p share and the dividend total is lifted from 1.1p to the maximum permitted, 1.2286p net with a final payment of 0.9908p.

	1976-77	1975-76
	£	£
Group turnover	24,116,412	19,031,712
Trading profit	432,079	328,103
Net interest received	610	†4,420
Profit before tax	432,689	323,685
Tax	228,328	181,383
Net profit	204,361	[illegible]
Extra-ord. credit	—	12,711
Making	204,361	[illegible]
Dividends	69,189	61,575
Retained	135,172	[illegible]

† Paid.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's time-table.

TO-DAY

Interims—James Austin Steel, Cantors, Albert Fisher, Vereinigte Metal.

Finals—Blundell-Permoglaze, Bulloch, Edinburgh American Assets Trust, Mears Bros., Status Discount, Tate and Lyle, Union Discount, Vantage Securities.

FUTURE DATES

Interims—

Gaunt (Rowland)	Jan. 30
Haley Properties	Jan. 26

Finals—

Armour Trust	Feb. 3
Associated Fisheries	Feb. 2
Claverhouse Investment Trust	Feb. 7
Pratt (F.) Engineering	Jan. 26
UC Investments	Feb. 6

Feedex on target in second half

Mr. J. R. Williams, the chairman of Feedex, announces that Mr. S. R. Kingsley has been appointed group managing director.

Mr. Williams says the appointment comes at a time when the group looks set to achieve the much-improved second-half performance for 1977, which was forecast in the interim statement.

During a period of intense competition, the animal feed division has increased feed sales to a record 100,000 tonnes. Margins on pigs have considerably improved and the engineering division has continued to receive orders from both the home and overseas markets, at an extremely satisfactory level.

"We begin 1978 in a far stronger position than was possible in the market conditions at this time 12 months ago."

Elson & Robbins ahead

At the annual meeting of Elson and Robbins, Mr. Eric Keeling, the chairman, said that in the first quarter of the current year the group achieved sales of £4.87m. against £3.38m., an increase of 44 per cent. and pre-tax profits came to £365,000.

With the exception of the growth achieved at the DIP subsidiary the pattern of sales and profits does not differ significantly from that reported in the annual statement. As far as DIP is concerned, priority is being given to sales of Premier heaters for the southern hemisphere. Mr. Keeling said he has every confidence that sales will be made in this market during March-June, 1978 and this envisaged diversification of heater sales will give a more consistent turnover pattern in the future.

Subject to unforeseen circumstances he forecasted along with the increased sales, a profit increase for the current year.

BIDS AND DEALS

Winn is Bainbridge suitor

Winn Industries has made an agreed take-over bid for Bainbridge Engineering, whose shares were suspended on Monday at 35p pending a further announcement. Terms of the Winn offer are 45p per share, or 11 Winn shares (p, down ½p yesterday—for every ten Bainbridge. The offers value Bainbridge at between 000 and £684,000.

Irrevocable acceptances have been received from holders representing 41.8 per cent. of the capital. These holdings are understood to include the 26.46 per cent. stake bought by Barrow Hepburn from Arbuthnot Latham Holdings in November, plus the holdings of the Bainbridge Board. Other principal holders, including institutions, have indicated they intend to accept in respect of a further 10.5 per cent. of the equity.

Winn, which made the approach, intends to carry on the business of Bainbridge virtually as it is. No redundancies are envisaged. It is expected that Bainbridge will fit well together with Compton Buildings, an existing Winn subsidiary, and a manufacturer and distributor of prefabricated buildings. The main activity of Bainbridge is the manufacture of prefabricated housebuilding components.

Lonrho taking over Tradewinds Airways

Tradewinds Airways, a freight carrier operating mainly in Africa and the Middle East, is being taken over by Lonrho, the conglomerate with African interests which is run by Mr. Tiny Rowland and which last year made a string of acquisitions, chiefly in the U.K.

Tradewinds, based at Gatwick, is at present owned as to some 83 per cent. by Mr. Charles Hughesdon, the aviation enthusiast and insurance broker who was, until last year, a deputy chairman of Matthews Wrightson Holdings.

From 1970 until the mid-1970s, a 45 per cent. stake in Tradewinds was held by the Crown Agents, who sold it under their policy of disposing of peripheral activities as well as disengaging from secondary banking and property.

Tradewinds operates six aircraft, two Boeing 707 320Cs and four CL 44D planes, all freight carriers. The company's annual turnover is thought to be in the region of £15m. and its profits some £800,000.

No comment was available from Lonrho yesterday as to the price of the deal or the terms of payment.

Mr. Robert Dunlop, a Lonrho director, described the acquisition as a natural for his group, whose own operations generate considerable quantities of goods for air carriage. "The association of Lonrho and Tradewinds can only be to the advantage of Tradewinds and its expansion," he said.

ELSWICK-HOPPER

Elswick-Hopper, the agricultural equipment distributor, has agreed to buy B. H. Brown, a main dealer for International Harvester and Claas, for a consideration now worth more than the original £340,000.

The consideration consists of 2m. shares in Elswick-Hopper which have risen in the stock market from 17p each, when the terms were substantially agreed last November, to 22½p yesterday. The value of the consideration has therefore improved to £450,000. Elswick-Hopper's shares rose in late December after it announced a joint venture with BP Nutrition.

B. H. Brown operates in Newcastle upon Tyne and Alnwick, Northumberland and is expected to combine well with Elswick-Hopper's existing distributors in Yorkshire and Northumberland. Its net assets at November 30, 1977, were about £201,000 and pre-tax profits for the year to that date amounted to £80,000.

SKETCHLEY

Sketchley has sold 95 per cent. of its interest in its Belgian workwear rental subsidiary Servibel SA to MEWA (Mechanische Weberei Altstadt GmbH) of Wiesbaden. The consideration was nominal and arrangements have been made for Sketchley to be released from all contingent liabilities in respect of guarantees given in support of Servibel's bank borrowings.

Sketchley acquired Servibel in 1974 when market research indicated that the workwear rental market in Belgium was likely to grow significantly. In the event high unemployment in Belgium offset the expected growth.

Sketchley's wholly-owned dry cleaning subsidiary in Belgium is currently trading profitably and is unaffected by the sale of Servibel.

Greenall Whitley sales well ahead

SALES OF Greenall Whitley in the current year are well ahead of last year and could be further helped by an increase in consumer spending if the Government's planned tax cuts come through and inflation is kept under control, Mr. Christopher Hatton, chairman, says in his statement with accounts.

Mr. Hatton is optimistic that the company will increase its market share of beer sales both in its own region and elsewhere.

There is no doubt that its investment in improving plant, the rebuilding of public houses and the acquisition and building of new houses is showing through to increase earnings, he says.

In the year ended on September 30, 1977 profit rose from £8.66m. to £10.18m., with sales volume in all divisions increasing despite the total U.K. market for beer sales declining.

Second half results were affected by poor summer weather, a three-month delay in a price increase, delays in plant start-up and an industrial dispute which affected its ability to supply keg beers.

Mr. Hatton says the group is continuing to make inroads into free trade clubs outside its traditional trading areas and its sales force has been reorganised and enlarged. Greenall Whitley is looking forward to further growth in this field.

Provided duties on wines and spirits remain stable and a credit period is granted by the Chancellor, renewed expansion is expected at G. and J. Greenall, while sales of Cumbria Soft Drinks should also grow.

Nine public houses were opened last year and by December this year a further 10 are expected to be opened. All sections of the recently acquired Stanneylands Group are making worthwhile contributions to profit.

In 1976-77 the group's cash position changed from £2.59m. in hand to a £4.24m. overdraft and with sales expansion and a change in the mix of business expected in the future a £5m., seven-year loan facility was taken up from its bankers in November.

Contracted and authorised capital commitments for the current year total £6.3m. Last year £9.95m. was spent on capital projects.

Meeting, Daresbury, near Warrington, February 16 at noon.

Green Grp. jumps to £0.78m.

INCLUDING A surplus of £347,282 on the sale of investments compared with a £27,380 deficit, pre-tax profits of cinema proprietors Green Group jumped from £341,249 to a record £776,956 for the year to October 31, 1977.

Trading profits for the year improved from £241,065 to £303,903, while investment and rental income was little changed at £125,771 (£127,564). Profits were subject to tax of £281,211 (£189,686) leaving net surplus up from £151,563 to £495,745.

Stated earnings per 10p share are hoisted to 21.4p (6.46p) and a second interim of 3p steps up the dividend total from 2.75p to 4.25p net.

During the year, the company realised a number of investments at a substantial profit. In addition, by accepting the cash offer in the take-over of Mills and Allen International, the company made a profit of £160,000.

The acquisition of Capitol and Allied Theatres was not completed until mid-July 1977, with the result that trading profit is only marginally influenced by that acquisition, the directors add.

Regarding the position of the Dublin cinemas, the Regent has contributed to profits, whereas the Green has changed from a profit to a loss situation. The heavy losses incurred by the Ambassador and the Academy cinemas have been halted.

Stenhouse considering subsidiary flotation

THE PROSPECT of Stenhouse Holdings floating off its subsidiary Stenhouse Industries has again been raised.

Mr. Gavin Boyd, chairman, says in his annual statement that although directors are not yet ready to announce details of such a move, the Board has the matter under constant surveillance.

In the year to September 30, 1977, Stenhouse Industries increased its contribution from £1.52m. to a record £2.03m. Shareholders have been sent a copy of the Stenhouse Industries annual report and accounts.

The company secretary, Mr. W. G. Gardner, said yesterday, "Some considerable thought is being given to this development but nothing is imminent. No date has been planned."

No announcement looks likely before May as there is a capital gains liability which could still be incurred under the terms of reconstruction six years ago.

Stenhouse is considering what room it has for dividend manoeuvre under any further reconstruction, "but there is a lot of work that has to be done yet," Mr. Gardner said.

Total profits of Stenhouse Holdings were £10.02m. (£7.42m.) last year, with the bulk stemming from its 54.24 per cent. interest in Reed Shaw Osler, insurance brokers, of Canada. Its name is to be changed to Reed Stenhouse Companies.

In the year Reed expanded into three new territories—Greece, Mexico and Fiji—and is now represented in 142 offices. Expansion continues in almost all operating countries, but particularly in the U.S. where suitable acquisitions continue to be sought.

Mr. Boyd says indications are that Canadian dividend restraint will be eased in 1978, and Stenhouse looks forward hopefully to an increase in the dividends declared by Reed.

Mr. Boyd is retiring as chairman after the AGM and will be replaced by Mr. John G. Stenhouse, chairman of Scottish Western Trust Holdings, which owns 24 per cent. of Stenhouse shares.

Meeting, Glasgow, February 17 at noon.

Amalgamated Distilled in profit

Amalgamated Distilled Products is back in profit with £67,650 for the half year to September 30, 1977, following a first half loss of £25,917 last year and a full year loss of £22,145.

Mr. Ellis Goodman, the chairman, says the directors are confident that the improvement in trading and profit performance will be maintained. Shareholders are to receive an interim dividend of 0.5p net per 10p share. Last year there was a single final payment of 0.25p.

	Half year 1977 £	1976 £
Turnover	6,083,783	4,908,283
Trading profit	249,610	124,431
Investment income	2,609	2,550
Bank interest	120,939	113,836
Loan stock int.	38,621	39,062
Extra-ord. debit*	25,000	—
Profit before tax	67,650	†25,917
Tax	—	—
Interim dividend	32,690	—
Retained	34,960	†25,917

* Discount on loan to former subsidiary (repayable 1981) settled for cash. † Loss.

Mr. Goodman says scotch whisky operations have shown a considerable improvement, with the distillery operating at full capacity, and a return to profitable trading in blending and bottling at Grangemouth. Scotch whisky exports have been very buoyant and total value is now expected to reach £2m. for the year against £1.2m.

He reports that sales of the group's Old Court, Fraser McDonald and Scotia Royale brands have made substantial progress in many leading markets and that while costs have been increasing every effort is being made to improve margins by price increases whenever possible and the recent industry-recommended price rises will be of benefit.

While some currency losses will be incurred in the current six months on cased sales to the U.S., they are not expected to be too significant

MONEY MARKET

Extremely large help

Bank of England Minimum Lending Rate 6½ per cent. (since January 6, 1978)

Short-term fixed period interest rates were fairly steady in the London money market yesterday, and discount houses buying rates for three-month Treasury bills continued to point towards a possible cut of ½ per cent. to 6¼ per cent. in Bank of England Minimum Lending Rate at the Treasury bill tender on Friday.

Whether or not there is a fall in MLR will rest with the authorities, and although the Bank of England lent funds overnight to the market yesterday this was not regarded as a significant guide to official policy. A heavy shortage of funds is expected to-day however, which should present ample opportunity to give a signal on interest rates if required.

Yesterday's extremely large shortage was relieved by moderate purchases of Treasury bills from the houses, and small purchases of local authority bills. The authorities also lent a moderate amount, overnight to nine or ten houses, at Minimum Lending Rate of 6½ per cent.

The amount of help was probably insufficient to take out the full shortage however, and this coupled with a day of heavy tax payments is expected to create difficult conditions to-day.

Very substantial revenue payments were a major factor behind yesterday's shortage, and the market was also faced with a rise in the note circulation. On the other hand banks carried forward surplus balances, and net maturing Treasury bills were in the market's favour.

Discount houses paid 6-6½ per cent. for secured call loans throughout, but interbank overnight rates touched 15-17 per cent. in the afternoon, before closing at around 10 per cent.

Jan. 24 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	5-7	—	—	—	6¾	6-6½	—	—	—
2 days notice	—	—	6-6¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	6⅛-6⅞	6¼	—	6¼-6½	6¾	6¼-6½	—	—	—
One month	6[illegible]-6⅝	6¼-6½	6¼	6⅝-5¾	6⅜-6⅝	6¾	6	5[illegible]-5⅞	6[illegible]	6¾
Two months	6¼-6⅛	6⅛-6⅝	—	6½-6	6⅜-6⅝	—	5⅞-6	5¾	6[illegible]	6⅝-6¾
Three months	6⅛-6	6⅛-6¼	6⅛-6[illegible]	6⅜-6	6⅜-6⅝	6⅝	5⅞	5[illegible]-5¾	5[illegible]-5[illegible]	6½-6¾
Six months	6⅜-6[illegible]	6⅝-6½	6⅜-6⅛	6⅜-6	6⅝-6⅞	—	—	—	6[illegible]	6⅛-6¾
Nine months	6[illegible]-6[illegible]	6¾-6⅞	—	6⅞-6¾	7	—	—	—	—	—
One year	6[illegible]-6[illegible]	6⅞-7⅛	6⅞-7	7¼-6¾	7¼	—	—	—	—	—
Two years	—	—	8-8½	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rate nominally three years 9-9½ per cent.; four years 9½-10½ per cent.; five years 10½-10¾ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month banks bills 5[illegible]-6 per cent.; four-month trade bills 6¼-6½ per cent. Approximate selling rate for one-month Treasury bills 5[illegible]-5[illegible] per cent.; two-month 5[illegible] per cent.; and three-month 5[illegible]-5[illegible] per cent. Approximate selling rate for one-month bank bills 6[illegible]-6½ per cent.; two-month 5[illegible]-6 per cent.; and three-month 5¾ per cent. One-month trade bills 6[illegible] per cent.; two-month 6½-6[illegible] per cent.; and also three-month 6[illegible]-6[illegible] per cent.

Finance House Base Rates (published by the Finance Houses Association) 6½ per cent. from January 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.7747 per cent.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Recovery on bargain hunting fades

OUR WALL STREET CORRESPONDENT

NEW YORK, Jan. 24.

BARGAIN HUNTING concentrated in Blue Chip and Glamour stocks reversed an initial further decline on Wall Street to-day, although stocks began to slip back late in the session to end on a mixed note after another moderate trade.

The Dow Jones Industrial Average moved between extremes of 768.68 and 776.42 before ending a marginal 0.87 harder on the day at 771.57. The NYSE All Common Index recorded a net improvement of 3 cents at $49.40, after touching $49.29 and $49.46. Gains slightly outnumbered losses by 684 to 660 at the close. Turnover trading volume came to ... shares against yesterday's total of 19.38m.

Encouraging bargain hunters was news that new factory orders for durable goods last month rose a seasonally adjusted 5.5 per cent. rate after a decline in November.

However, the dollar's continued weakness on Overseas currency markets, uncertainties about U.S. tax and energy legislation, and a further decline in mid-January motor sales were cited by analysts as factors inhibiting the market's attempted recovery.

General Motors, which reported a 19.8 per cent. drop in mid-January car sales, shed $½ to $58. Chrysler were unchanged at $13 despite a 10 per cent. decline.

Heublein rose $1½ to $25½ and Standard Oil of Indiana $½ to $44¾, both on higher profits, but Exxon eased $½ to $43½ on lower earnings.

Consolidated Edison of New York, which reported lower earnings but raised the dividend, declined ½ to $24.

THE AMERICAN SE Market Value Index finished 0.21 lower at 121.22 after a 2.68m. share volume (2.37m.).

DAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
...	743,200	7½	−¼
... Carbide	170,000	39½	+½
... Airlines	168,400	11	+½
... Kodak	155,300	46½	+½
... Dickinson	138,300	38½	+½
... Motors	136,500	58	+½
... Edison N.Y.	130,400	24	−½
... Tel. and Tel.	124,800	30	−½
... Public Svc.	113,600	20½	−½
...	113,500	63½	+2½

OTHER MARKETS

Canada easier

An easier tendency prevailed on Canadian Stock Markets yesterday after a fairly active business. The Gold index came back 24.6 to 1,393.5, but the Real Estate section contrasted with a rise of 12 points. The Toronto Composite Index was 0.4 firmer at 1,010.8, while Banks added 1.26 at 231.69 and Oils and Gas 3.0 at 1,383.8, but Utilities shed 0.49 to 160.84.

PARIS—Market was widely lower on continued fears about the political situation ahead of the March elections.

All sectors lost ground, with Radiotechnique, in Electricals, and Mumm, in Foods, at the day's limit down, while Hotels, Stores, Engineering and Chemicals were sharply lower.

Carrefour fell 44 to Frs.1,192, Pernod-Richard 7.9 to Frs.185.1, and Bouygues 13.5 to Frs.344.

The gold-linked 4.5 per cent., 1973, Government Loan reached a record Frs.801 and closed at Frs.800, up 26 more.

BRUSSELS—Stocks displayed a softer bias in moderate trading.

Hoboken, despite higher group net profits for 1976-77, were 10 easier at B.Frs.2,640.

Petrofina receded 45 to B.Frs. 3,700 and Solvay 35 to B.Frs.2,460, but Sofina added 20 at B.Frs.2,940.

GERMANY—Prices finished on a mixed note after a thin session in which follow-up orders to early gains gave way to late profit-taking.

Leading Chemicals turned easier, with Hoechst losing DM1.10m., but Demag led Engineerings higher with a rise of DM1.20. Electricals, Stores and Motors were irregular.

Public Authority Bonds were quiet and hesitant, prices closing mixed again with gains to 10 pfennigs and losses to 15 pfennigs. The Regulating Authorities sold DM0.7m. nominal of stock (DM3.5m.). Mark Foreign Loans eased slightly in negligible trading.

AMSTERDAM—Bourse prices remained irregular.

Dutch Internationals were led lower by Royal Dutch, down Fls.1.10, influenced by Wall Street's overnight decline and pressure on the dollar. However, Hoogovens were a shade harder.

Transports rose, with Van Ommeren up Fls.3.50, while in Banks, Algemeine gained Fls.3.50.

News of the new State Loan had little impact on the Loan market. There was demand for Government paper, especially Loans with high interest rates.

MILAN—The recent rally was taken a good stage further, with all major Industrial and Financial stocks showing gains.

Snia Viscosa rose 24.5 to L444.5, Pirelli 19 to L2,020, and Bastogi 11 to L404.5.

VIENNA—Slightly easier after light trading although Semperit gained 3 points at 93.

STOCKHOLM—Market generally strengthened, with Sandvik adding 6.5 at Kr.221.5 and Volvo 6 at Kr.74.5.

SPAIN—Market activity was slight with the majority of shares recording little alteration. The General Index slipped 0.35 more to a 1978 low of 94.94, although there was a mild recovery in the Property and Construction sectors. Banco Atlantico receded 8 points to 222 in mainly steady Banks.

SWITZERLAND — Firmer-inclined on selective demand.

Insurances were generally higher, while small gains predominated in leading Industrials.

In Stores, Jelmoli were active and 30 up at Sw.Frs.1,525.

Domestic Bonds were slightly firmer, while Foreign Bonds were steady.

HONG KONG—Market continued to rally, with more local buying interest in evidence. Trading was active, but prices eased slightly towards the close on profit-taking.

Hong Kong Bank rose 30 cents to $HK17.40, Hong Kong Land 15 cents to $HK6.80, Swire Pacific 5 cents to $HK5.65, while Wheelock Marden gained 2.5 cents at $HK2.20 and Jardine Matheson were steady at $HK12.50.

TOKYO—Stocks showed a tendency to lower levels following the overnight fall on Wall Street. The Nikkei-Dow Jones Average lost 20.35 more to 5,025.89, with volume amounting to 230m. shares (190m.).

Among export-orientated issues, Sony shed Y10 to Y1,820 and Pioneer Electronic Y20 to Y1,410.

Elsewhere, Shiseido declined Y7 to Y953, Chinon Y14 to Y386, and House Food Y20 to Y900, but Takeda Chemical moved ahead Y15 further to Y305.

JOHANNESBURG—Gold shares made further progress on higher Bullion indications, while Financial Minings were harder in brisk dealings.

Other Metals and Minerals were quietly steady, while Tin and Copper issues were neglected.

Among mixed Industrials, AECI added 5 cents at R2.30. Rand Mines Properties put on 15 cents at R2.35.

AUSTRALIA—Markets remained mixed in quiet dealings, with dealers stating that they are still awaiting consumer price figures, now expected next week.

Among Industrials, BHP receded 6 cents to $A5.30, but Container advanced 8 cents to $A2.00, while C. J. Coles, $A1.90, and Tooth, $A1.78, improved 5 cents apiece. Bank NSW hardened 2 cents to $A5.26.

Oakbridge rose 6 cents to $A1.79 in Coal issues, while Golds had Central Norseman 10 cents higher at $A7.90, and Consolidated Gold Fields 5 cents up at $A2.45. Pancontinental, however, lost 15 cents more to $A10.85.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
♦ DM50 denom. unless otherwise stated. ♯ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. φ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. △ Interim since increased.

Gold higher

Gold rose $¾ to $176-176¾ in the London bullion market yesterday, the highest closing level since April 2, 1975. Trading was moderate, but speculative movements tended to influence the market, with some buying interest followed by profit taking after the recent rise in the metal's value. The highest point touched was $177¾-178 during the morning.

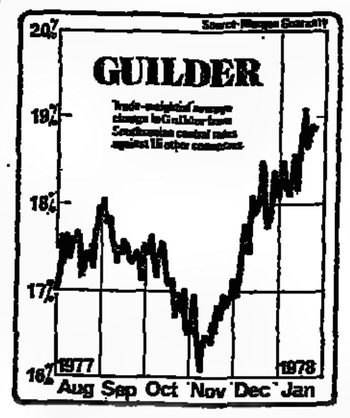
The U.S. dollar remained weak in terms of most other major currencies. Central banks, including the U.S. Federal Reserve, may have intervened to limit the dollar's fall, but the market was generally dull and thin, and the amount of support must have been fairly small.

Sterling opened at $1.9435-$1.9450, and remained around $1.9475 for the most part, before closing at $1.9465-1.9475, a rise of ½ cent on the day.

The pound's trade-weighted index against a basket of currencies, as calculated by the Bank of England, rose to 66.3 from 66.2, the highest closing level since April, 1976.

The dollar's trade-weighted average depreciation since the Washington Currency Agreement, as calculated by Morgan Guaranty of New York, widened to 4.84 per cent. from 4.68 per cent.

The Swiss franc touched a high point of Sw.Frs.1.9675 in terms of the dollar, before closing at Sw.Frs.1.9725, compared with Sw.Frs.1.9845 previously. The D-mark rose to a best level of DM2.1050 against the dollar, and closed at DM2.1090, compared with DM2.1117½ on Monday.



CURRENCY RATES

	Special Drawing Rights January 24	European Unit of Account January 24
Sterling	0.624542	0.631787
U.S. dollar	1.21642	1.23070
Canadian	1.34232	1.35856
Austria sch.	18.4166	18.6086
Belgian franc	39.7465	40.2132
Danish krone	6.96622	7.04635
Deutschemark	2.56409	2.59431
Dutch guilder	2.73999	2.77290
French franc	5.75299	5.80176
Italian lira	1065.85	1068.55
Japanese yen	293.583	296.963
Norway krone	6.24875	6.31787
Spain peseta	97.8123	98.9499
Swedish krone	5.66548	5.72431
Swiss franc	2.39756	2.42760

EXCHANGE CROSS-RATES

Jan. 24	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.1075-90	44.67-77	6.3-3.46	4.10 0.111	95.45 65	105.60 90
New York	47.50 64	—	21.21-23	31.603 C632	1.9465-9475	44.33-37	50 90 61
Paris	223.46-96	4.707-719	—	14.409 445	9.17-19	105.38 5.48	238.8 9.3
Brussels	15.48-53	32.55 70	6.49-.4	—	63.54-73	14.-8-53	16 53-59
London	4.101½-11½	1.9465-75	9.17-18	63.50-60	—	4.362-382	3.831-84½
Amst'd'm	1.6.915-965	2.2512-2537	47.735 785	3.8875 8	254.495-3915	—	114 275-325
Zurich	93.583-732	1.9766-80	41.91 97	6.0480 4513	3.8467-518	87.668-797	—

U.S. $ in Toronto U.S. $ = 110.46-50 Canadian cents.
Canadian $ in New York = 90.50-52 cents. U.S. $ in Milan 867.90-8.20.
Sterling in Milan 1689.25-1690.50.

EURO-CURRENCY INTEREST RATES*

Jan. 24	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss franc	W. German mark
Short term†	6¼-6½	6-7	6¾-7	5-5¼	¼-½	3⅛-3⅜
7 days notice	6¼-6½	6⅝-7⅛	6⅞-7⅛	5-5¼	¼-⅞	3⅛-3⅜
Month	6⅜-6¾	6⅝-7	7-7¼	4⅝-4⅞	⅝-⅞	3-3⅛
Three months	6⅛-6¾	6⅞-7¼	7¼-7⅛	4⅝-4⅞	1-1⅛	3-3⅛
Six months	6½-6⅞	7⅛-7⅝	7½-7¾	4⅝-4⅞	1⅛-1⅜	3⅛-3¼
One year	7⅛-7⅝	7⅝-7⅞	7¾-8	4⅞-5⅛	2-2⅛	3¼-3⅝

Euro-French deposit rates: two-day 11½-12 per cent.; seven-day 12½-12¾ per cent.; one-month 12⁵⁄₁₆-12⁹⁄₁₆ per cent.; three-month 13⁵⁄₁₆-13⁷⁄₁₆ per cent.; six-month 13⁷⁄₁₆-13¹¹⁄₁₆ per cent.; one year 13¼-13¾ per cent.

Long-term Eurodollar deposits: two years 7¾-8⅛ per cent.; three years 8¼-8½ per cent.; four years 8⅜-8⅝ per cent.; five years 8½-8¾ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6.95-7.05 per cent.; three-month 7.15-7.25 per cent.; six-month 7.45-7.65 per cent.; one-year 7.70-7.80 per cent.

* Rates are nominal calling rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

GOLD MARKET

	Jan. 24	Jan. 23
Gold Bullion (a fine ounce)		
Close	$176-176¾	$175¼-176
Opening	$176¼-177	$174¾-175½
Morning fixing	$177.10 (£90.923)	$174.95 (£90.215)
Afternoon fixing	$176.45 (£90.659)	$175.20 (£90.263)
Gold Coins domestically		
Krugerrand	$183-185 (£94-95)	$181-183 (£93¼-94¼)
New Sov'gns	$54½-56½ (£28-29)	$54¼-56¼ (£28-29)
Old Sov'rgns	$53-55 (£27¼-28¼)	$53-55 (£27¼-28¼)
Gold Coins (Internat'lly)		
Krugerrand	$181½-183½ (£93¼-94¼)	$180-182 (£92¾-93¾)
N'w Sovr'gns	$55-57 (£28¼-29¼)	$54¼-56¼ (£28-29)
Old Sovr'gns	$53½-55½ (£27½-28½)	$53-55 (£27¼-28¼)
$20 Eagles	$258¼-261¼	$256½-258½

FOREIGN EXCHANGES

Jan. 24	Bank Rate %	Market Rates Day's Spread	Close
New York	6½	1.9420-1.9485	1.9465-1.9475
Montreal	7½	2.1420-2.1505	2.1470-2.1489
Amsterdam	4½	4.38-4.40½	4.38¾-4.39¾
Brussels	7½	63.46-63.75	63.50-63.60
Copenhagen	9	11.12-11.17	11.15¾-11.16¾
Frankfurt	3	4.09-4.12	4.10¾-4.11¾
Lisbon	13	77.65-78.30	77.75-78.00
Madrid	8	156.10-156.70	156.50-156.60
Milan	11½	1,678-1,693	1,689¾-1,690¾
Oslo	6	9.97 10.01	9.99¾-10.00¾
Paris	9½	9.15½-9.19	9.17-9.18
Stockholm	8	9.02¼-9.07½	9.05¾-9.06¾
Tokyo	4¼	465-475	470-472
Vienna	5½	28.25 28.55	28.45-28.55
Zurich	1½	3.83-3.86½	3.83¾-3.84¾

‡ Rates given are for convertible francs. Financial franc 63.50-63.70.

OTHER MARKETS

			Notes Rates
Argentina	1224.2-1224.4	Argentina	1150-1250
Australia	1.6985 1.7166	Austria	28-30
Brazil	31.40-31.60	Belgium	62¾-63¾
Finland	778.50 778.50	Brazil	33-36
Greece	69.982 70.694	Canada	2.13¼-2.16¼
Hong Kong	8.96 8.99	Denmark	11.05-11.25
Iran	134 136	France	9.10-9.25
Kuwait	0.539 0.549	Germany	4.09-4.15
Luxemb'g	63.5-63.60	Greece	76-81
Malaysia	4.59¾-4.61¾	Italy	1700-1800
N. Zealand	1.8986 1.9096	Japan	460-480
Saudi Arab	6.69 6.79	Netherl'nds	430-445
Singapore	4.63¾-4.65¾	Norway	9.10-10.10
S. Africa	1.6785 1.7042	Portugal	65-85
U.S.		Spain	150-160
Canada		Switz'land	380-390
U.S.		U.S.	1.94-1.96
U.S. cents	99.62-99.65	Yugoslavia	57-59

Rate given for Argentina is a free rate.

FORWARD RATES

	One month	Three months
New York	0.05-0.15 c. dis	0.30-0.40 c. dis
Montreal	0.02-0.12 c. dis	0.22-0.32 c. dis
Amst'dam	1 ... par	2½-1½ c. pm
Brussels	5-15 c. dis	15-25 c. dis
Cop'nhgn	10¼-12¼ ore dis	29-31 ore dis
Frankfurt	1⅝-⅝ pf. pm	3⅞-2⅞ pf. pm
Lisbon	90-190 c. dis	420-720 c. dis
Madrid	110-190 c. dis	420-520 c. dis
Milan	11-19 lire dis	39-48 lire dis
Oslo	6¾-8¾ ore dis	21¾-23¾ ore dis
Paris	4-5 ... dis	14¼-15¼ c. dis
Stockh'lm	2½-4½ ore dis	9-11 ore dis
Vienna	par-10 gro dis	10-30 gro dis
Zurich	2⅝-1⅝ c. pm	5⅝-4⅝ c. pm

Six-month forward dollar 0.68-0.78c dis. 12-month 0.90-0.99c dis.

Indices

NEW YORK—DOW JONES

	Jan. 24	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Jan. 17	1977-78 High	1977-78 Low	Since compilation High	Since compilation Low
Industrial	771.57	770.70	776.84	778.67	788.58	779.08	999.75 (3/1/77)	770.70 (23/1/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds*	88.54	88.58	88.88	88.90	88.79	88.82	89.54 (24/1/78)	88.54 (24/1/78)	—	—
Transport	210.38	210.51	210.95	211.24	212.27	209.10	246.64 (18/5)	199.60 (25/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.75	105.29	105.77	105.75	105.80	105.75	118.67 (22/2)	104.97 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	18,880	18,560	7,580	21,580	21,880	18,380	—	—	—	—

Basis of index changed from August 24

	Jan. 20	Jan. 13	Jan. 6	Year ago (approx.)
Ind. div. yield %	5.92	5.93	5.80	4.27

STANDARD AND POORS

	Jan. 24	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Jan. 17	1977-78 High	1977-78 Low	Since compilation High	Since compilation Low
Industrials	99.23	99.20	99.84	99.19	99.72	99.99	118.92 (3/1/77)	99.20 (23/1/78)	134.54 (11/1/73)	3.52 (30/6/32)
Composite	89.25	89.24	89.89	90.09	90.56	92.89	107.00 (3/1/77)	... (23/1/78)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 18	Jan. 11	Jan. 4	Year ago (approx.)
Ind. div. yield %	5.13	5.18	4.96	3.77
Ind. P/E Ratio	8.74	8.66	9.01	11.24
Long Gov. Bond yield	8.17	8.21	8.04	6.81

N.Y.S.E. ALL COMMON

Jan. 24	Jan. 23	Jan. 20	Jan. 19	1977/78 High	1977/78 Low
49.40	49.38	49.75	49.82	57.07 (4/1/77)	49.38 (23/1/78)

Rises and Falls

	Jan. 24	Jan. 23	Jan. 20
Issues traded	1,848	1,856	1,672
Rises	660	448	526
Falls	684	926	616
Unchanged	504	482	530
New Highs	—	19	19
New Lows	—	84	85

	Jan. 24	Jan. 23	Jan. 20	Jan. 19	1977-78 High	1977-78 Low
MONTREAL Industrial	186.85	188.05	186.20	186.81	199.47 (17/3)	166.08 (26/10)
MONTREAL Combined	175.81	175.14	176.17	176.48	187.65 (18/1/77)	165.58 (25/10)
TORONTO Composite	1010.8	1010.4	1018.5	1010.5	1067.4 (18/7)	961.0 (28/10)
JOHANNESBURG Gold	216.4	211.6	208.6	206.7	216.4 (24/1/78)	148.4 (24/6)
JOHANNESBURG Industrials	212.8	212.1	211.8	212.1	214.4 (4/1/78)	183.1 (28/4)

	Jan. 24	Previous	1977-78 High	1977-78 Low
Australia (†)	468.33	466.14	478.46 (6/1/78)	415.55 (15/2)
Belgium (‡)	92.20	92.47	99.12 (10/1/77)	90.43 (12/1/78)
Denmark (**)	96.36	96.48	107.82 (9/6)	95.54 (28/11)
France (††)	49.5	50.3	59.4 (7/1/77)	45.5 (10/6)
Germany (‡‡)	808.0	809.3	815.4 (17/11)	712.5 (10/3)
Holland (§§)	80.4	80.6	85.3 (4/5)	75.4 (29/9)
Hong Kong (¶¶)	410.18	406.65	480.17 (11/5)	365.44 (13/1/78)
Italy (∥)	69.07	67.86	74.71 (6/1/77)	54.90 (22/12)
Japan (a)	374.35	374.99	390.93 (29/9)	350.49 (24/11)
Singapore (b)	264.10	264.41	265.02 (23/8)	242.28 (5/5)
Spain (d)	94.94	—	110.10 (10/12)	94.94 (24/1/78)
Sweden (c)	352.29	357.96	416.82 (12/5)	350.98 (24/11)
Switzerl'd (f)	304.6	304.3	312.5 (14/10)	280.0 (6/5)

Indices and base dates (all base values 100 except NYSE All Common — 50; Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‡) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (∥) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Close. (d) Madrid SE 30/12/77—high and low for 1978 only. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £—82% (79¼%)

NEW YORK

CANADA

GERMANY ♦

AMSTERDAM

COPENHAGEN ♣

VIENNA

TOKYO ¶

Source Nikko Securities, Tokyo.

BRUSSELS/LUXEMBOURG

SWITZERLAND φ

MILAN

AUSTRALIA

PARIS

STOCKHOLM

BRAZIL

Vol. Cr.36.3m. Shares 39.3m.
Source: Rio de Janeiro SE.

OSLO

JOHANNESBURG

MINES

INDUSTRIALS

Securities Rand Discount 32%

SPAIN ♯

COMPANY NOTICES

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
(Incorporated in the Republic of South Africa)

DIVIDEND NO. 85
ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 2nd December 1977, members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 2nd February 1978, is 1 Rand or 100 cents equals 59.3276p United Kingdom Currency. The gross dividend payable by the United Kingdom Paying Agents is therefore equivalent to 118.6553p.

Holders of Share Warrants to Bearer are informed that payment of dividend No. 85 will be made on or after 3rd February 1978, upon surrender of Coupon No. 85 at the London Bearer Reception Office, 40 Holborn Viaduct, London EC1P 1AJ.

	Amount payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared ..	118.6553
Less South African Non-Resident Shareholders' Tax at 15% ...	17.7983
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	100.8570
Less United Kingdom Income Tax at 19% on the gross dividend (See Notes 1 and 2 below)	22.5445
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	[illegible]

COUPONS must be listed in duplicate on forms obtainable from [illegible] on Bearer Reception Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

BARNATO BROTHERS LIMITED
London Secretaries
D. W. J. PHILLIPS
Secretary

99 Bishopsgate,
LONDON EC2M 3XE.
23rd January 1978.

NOTES (1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 118.6553p.

(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 19% instead of at the standard rate of 34% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

NOTICE OF REDEMPTION MORTGAGE BANK OF FINLAND OY
8¾% 1971-1986
$US15,000,000.—

Holders of the above mentioned loan are hereby informed that the annual instalment of $U.S.1,000,000.— due 15th February, 1978 has been partially effected by repurchase on the market of an aggregate amount of $U.S.300,000.— and partially by drawing by lot of the remaining $U.S.700,000.-

The following bonds have been drawn on 10th January, 1978 in the presence of a notary public.
405-592 inclus., 601-637, 642-643, 647-645, 652-669, 14316-14571, 14573-14698, 14704-14774.

These bonds will be redeemable at par on and after 15th February, 1978 with all unmatured coupons attached thereto.

The principal amount of bonds outstanding after the amortization of 15th February, 1978 will be $U.S.10,500,000.

BANQUE INTERNATIONALE A LUXEMBOURG
Societe Anonyme
Trustee

January 25, 1978.

PECHINEY UGINE KUHLMANN INTERNATIONAL N.V.

Company registered in the Netherlands under Dutch law with a capital of D.Fls.20.000.000.
Registered Office in AMSTERDAM, 214, Herengracht.

Bondholders of the EUA20.000.000 Loan 8½% 1974-1989 issued by P.U.K. INTERNATIONAL N.V. are hereby informed that the amortisation of the EUA500.000 instalment redeemable on 22 February 1978 will be effected by the reimbursement at par of the bonds numbered:

6816 to 7095, 7100 to 7177
7179 to 7320 inclusive.

These bonds will be redeemable as from 22 February 1978, coupons at 22 February 1979 and subsequent attached and coupons due on same date will be payable at the following banks:
CREDIT LYONNAIS, Luxembourg.
KREDIETBANK S.A. LUXEMBOURGEOISE, Luxembourg.
CREDIT COMMERCIAL DE FRANCE, Paris.
PIERSON, HELDRING & PIERSON, Amsterdam.
BANQUE BRUXELLES-LAMBERT S.A., Bruxelles.

Amount remaining in circulation after this fourth amortisation:
EUA.18.500.000.

The Fiscal Agent,
CREDIT LYONNAIS—LUXEMBOURG

LOAN OF $US25,000,000
COMPAGNIE NATIONALE AIR FRANCE
BONDS 9½%—1975/1982
unconditionally guaranteed by the French State.

Further to the Notice dated January 17 1978 bond holders are hereby reminded that bonds numbered 8131, 8321, 2395 to 3394, 8406 to 8410, 3122 to 3138 which have been redeemable since February 18th 1977, coupons at 15th February 1978 and subsequent attached, have not yet been presented for repayment.

The Fiscal Agent
CREDIT LYONNAIS—LUXEMBOURG.

CONSOLIDATED COMPANY BULTFONTEIN MINE, LIMITED, GRIQUALAND WEST DIAMOND MINING COMPANY, DUTOITSPAN MINE LIMITED
(Both companies incorporated in the Republic of South Africa)

DECLARATION OF DIVIDENDS

Further to the dividend notice advertised in the press on the 18th November, 1977 the conversion rate applicable to payments in United Kingdom currency in respect of the dividends listed hereunder, is £1 = R1.698631.

Company	Amount of Dividend Declared South African Currency Per Share	U.K. Currency Equivalent Per Share
Consolidated Company Bultfontein Mine, Limited	5.5 cents	3.23790p
Griqualand West Diamond Mining Company, Dutoitspan Mine Limited	25 cents	14.71773p

The effective rate of South African Non-Resident Shareholders' Tax is 15 per cent.

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct,
EC1P 1AJ.
Office of the United Kingdom Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford, Kent.
TN24 8EQ.
24th January 1978.

DE BEERS CONSOLIDATED MINES LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO THE HOLDERS OF PREFERENCE SHARES

Further to the dividend notice advertised in the Press on the 23rd November 1977 the conversion rate applicable to payments in United Kingdom currency in respect of the dividends listed hereunder, is £1 = R1.698631.

Dividend	Amount of Dividend Declared South African Currency Per Share	U.K. Currency Equivalent Per Share
No. 137 on the 40% cumulative Preference shares	100 cents	58.87093p
No. 5 on the 8% cumulative second Preference shares	4 cents	2.35483p

The effective rate of South African Non-Resident Shareholders' Tax is 15 per cent.

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct,
EC1P 1AJ.
Office of the United Kingdom Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford, Kent.
TN24 8EQ.

24th January 1978.

IRELAND

U.S.$8¼% Bonds 1989

S. G. WARBURG & CO. LTD., announce that the sixth annual instalment of bonds to a nominal value of U.S.$1,500,000 have been purchased for redemption on 15th February, 1978.

U.S.$18,000,000 nominal amount of bonds will remain outstanding on 15th February, 1978.

30, Gresham Street,
London, EC2P 2EB. 25th January, 1978

THE NIPPON FUDOSAN BANK, LIMITED

U.S. $15,000,000 10¼% Notes due 1980

NOTICE IS HEREBY GIVEN that no Notes were purchased for the Purchase Fund during the period 15th January 1977 to 14th January 1978 which leaves a deficiency of 1,500 Notes amounting to U.S. $1,500,000 nominal capital to be carried forward for the next six month period pursuant to Condition 4 of the Terms and Conditions of the Notes.

Principal Paying Agent:
N. M. Rothschild & Sons Limited,
New Court, St. Swithin's Lane,
London EC4P 4DU.
25th January 1978.

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FRENCH INSTITUTE

Evening classes in French Language, Civilisation and Translation. Registration from 25th January to 8th February. Courses commence 20th February.

Details from:
14 Cromwell Place,
London SW7 2JR (SAE).
Tel: 589 6211 (Ext. 45)

How synthetic paper has survived the oil crisis

BY TONY FRANCE

TO THE average business executive, marketing man, even printer, synthetic paper is largely an unknown factor. However, it is now becoming increasingly appreciated by the specialist printer and designer as an expensive material occasionally necessary for a specific job.

It is important to define what is meant by "synthetic paper."

It is either film or fibre based. The fibre may be formed by, for example, fibrillating nylon, and using the resulting material in the same way as wood-based cellulose fibres on a foudrinier standard paper-making machine (in which a slurry of fibres and water is dried into a mat and rolled into paper). Alternatively, the fibres may be spun-bonded or the plastic may be extruded into sheets.

The basic material for all synthetic papers comes from the petrochemical industry in various forms of plastic, such as nylon, or polyethylene.

It is possible to print extremely well using flexographic or rotagravure processes on many different kinds of plastic film—such as polyethylene, which is widely used for packaging. But synthetic paper looks, and prints, like ordinary paper on an ordinary printing press, with the end result usually looking better than the paper equivalent. At the same time, it provides a number of additional characteristics, for example resistance to oil, water, grease and sunlight, as well as extra toughness and dimensional stability.

It was the Japanese who really picked up the synthetic paper business, took it by the scruff of the neck—then dropped it. Full-scale production of synthetic paper started in Japan in 1970 at the 5,000-tonne plant of Japan Synthetic Paper. This was the first of half-a-dozen Japanese responses to the "Report of the Resources Investigation Committee of the Agency of Science and Technology" of 1968 (a unit of the Japanese Ministry of International Trade and Industry—MITI). The report outlined the expected deficit in wood resources required to satisfy the projected increase in paper and board requirements for Japan from 9m. tonnes in 1967 to 16m. in 1977.

It concluded that the alternative to "devastating" national resources was to take advantage of the Japanese lead in synthetic paper film technology (a lead which was at best debatable), and the then plentiful supply of petrochemical raw materials, to save between one-quarter and one-half of the import cost. It recommended special assistance for the synthetic paper industry and expected volumes to grow to about 3.5m. tonnes of paper equivalent by 1977. In 1971 MITI forecasts for 1978 were still as high as 2.8m. tonnes, of which 840,000 was for printing papers. By 1972 industry estimates still talked of 750,000 tonnes by 1980.

Wide range

The six major Japanese manufacturers were producing a range which covered the whole gamut of paper types: from Q-Cote, a cheap paper substitute, to Miraynart, a high-quality alternative to art paper—the best quality printing paper.

Prices varied from 50 to 300 per cent. above the paper equivalent. For this additional cost the lower priced synthetic products offered no material advantage over ordinary paper, while the speciality products gave additional characteristics like resistance to water, or toughness.

The oil crisis changed the picture completely. Increased raw material prices made it initially impossible for the cheaper products to compete. The subsequent recession in world trade gave a plentiful supply of cellulose paper. The result was that within a year or two there remained only two production units in Japan, with specialist sales of a few thousand tonnes. (Still in production, these are Mitsui Petrochemical, making Toyo Toughper, and Chiji Yuka making Yupo FP).

By that time applications were reaching the borders of Japanese ingenuity—paper decorations, window blinds, screens, curtains, computer and pattern cards, internal partition walls, even umbrellas for bunches of grapes! But the product concept and marketing logic were off-balance, leaving the Japanese synthetic paper industry too easily susceptible to changing circumstances.

In Europe and the U.S. the synthetic paper producers survived the crisis. For them, no grandiose expansion plans, but instead steady market growth and technical development. Feldmuhle in Germany produces Neobond and Pretex. In the U.S. Dupont makes Tyvek, and in Switzerland there is Syntosil and Artosil made by Zurich Paper Mills.

In the U.K. the continuing success of Polyart illustrates how a more sober product and market assessment have survived the trauma of the petrochemical shortage.

Polyart is, in printer's terms, a "glossy art paper." It is made by Bakelite Xylonite (BXL) at the company's Clacton factory, and is based on high density polyethylene. The low density version of this plastic is the familiar "polythene bag."

BXL has other forms of Polyart in the pipeline; the first, likely to be launched soon, is a lower density matt surface paper. This will probably be cheaper than the "art" version, and the company expects it to sell well. A translucent paper, and other types are being developed.

BXL's marketing of Polyart has concentrated on the special characteristics of the product—water resistance, durability, and tear resistance. There are some applications for which the product is unique. Because of its thermoformability (it can be heated and shaped) it could be used *for products combining* vacuum moulding and standard printing. But the bulk of the marketing effort avoided the Japanese trap of standing back and waiting for the law of supply and demand to operate. BXL is selling not paper, but the results that can be achieved with a new product allowing new thinking, in design and manufacture.

Advantage

Posters, point-of-sale material (printed counter displays and packaging), sales and presentation literature, labels and instruction books made in Polyart synthetic paper last longer, look better, and overall often cost less. The material still costs twice or even three times as much as a cellulose paper equivalent, but paper costs are generally only a third of total costs.

Cellulose paper items that need printing twice as often, or have to be over-laminated to improve durability or appearance, normally end up being a lot more expensive. More important is the poor image produced by a worn, torn and mar ked poster, display unit, o product manual. The marketin effort required to get a point-of sale item on display is consider able, and if the unit retains it good looks it will remain exhibi ted for a longer period.

Based on this kind of applica tion, BXL considers that Poly art has a sound future as specialised product, and ca point to a 30 per cent. growt per annum in output to prov its marketing policy is righ The company is convinced has a product which, becaus of its innate characteristic meets a long felt want in number of fields, and intends t reach those markets.

The markets include the pul licity man who wants a point-o sale item which is durable an water, grease, and tear-proo the production manager wh wants documentation that su vives with the product; th salesman who wants referen literature that will stay in th engineering workshop; and th customer who wants a ma season ticket, record card, refe ence manual, or directory th will resist tearing and dirt.

In 1978 the BXL factory wi produce 1,500 tonnes of Pol art at a European market val *of about £2½m. Some 80 p* cent. will be exported and per cent. sold on the hom market.

There is no product competi directly with Polyart made the U.K., although there a somewhat similar plastic film such as coated PVC. Some sy thetic papers are imported, b BXL says that price compa sons range from about equal as much as twice the cost, a the company intends to explo its dominant market position.

Probably the most importa competitor in the U.K. is Tyve which is made by Dupont in t U.S. and marketed in Britain Wiggins Teape.

In Europe, BXL says it fac brisk competition in Germa from the papers produced Feldmuhle, but is managing hold a market share.

World consumption of prin ing and writing papers is near 40m. tonnes a year. In BX view, success for synthet papers would be just 1 per ce of that total in 15 years' tim Present world production of s thetic papers is only 15,0 tonnes, so there is a fair way go.

FARMING AND RAW MATERIALS

ish size mits acked

Our Commodities Staff

T 10 per cent. of the fish : by British trawlers have returned to the water se they are under-sized, and of them die anyway, the ons select committee on shing industry was told day.

istry of Agriculture officials e committee that mortality ler-sized fish was higher for rel than for other species, ought it was lower than per cent. quoted by com- members. They said losses nersal fish, such as flat fish d, were much lower.

the officials doubted that it be a good idea to abandon inimum size regulations. y said the deterrent effect minimum sizes was im- t because it encouraged the vation of stocks in areas under-sized fish were likely n a large proportion of the

committee was also con- l that no prosecutions had ed directly from Britain's reconnaisance of fishing. Ministry officials said that g a vessel was actually when photographed from air presented particular lties, they said.

re were doubts that proof ets were in the water would eptable as proof that fishing tually taking place.

he meantime RAF Nimrods ing used purely as spotter to notify surface vessels of ted offences. Investigations rests are still being carried y the surface vessels.

an 'seeking gar from razil'

NEW YORK, Jan. 24.

D SUGAR market traders e that Brazil is trying to ate a large sugar sale to

speculation is based on e trade reports that ry Costa Brazil's Sugar and ol Institute export director, last night for Iran from n where he had attended a on meeting of the Inter- al Sugar Organisation.

traders said Iran had t at least 150,000 tonnes of ugar lately.

confirmed rumours indicate Sr. Costa also could be d for Algeria after his n Iran.

azil supplies sugar to ria under a long-term rnment to government con- estimated at 100,000 tonnes ar.

Brazil cut brings coffee market confusion

BY RICHARD MOONEY

BRAZIL HAS cut its minimum coffee export price to $2 a pound from $2.10 the Brazilian Coffee Institute said yesterday.

The new price comes into effect immediately and will remain until April 30. The contribution quota (export tax) is unchanged at $120 a 60-kilo bag.

The news brought a mixed response on the London market where dealers could not be sure whether its implications were "bullish" or "bearish."

Some took the announcement at face value assuming that a lower minimum export price meant cheaper exports.

Others thought the move would have little effect on actual export prices, but would reduce the discounts offered on Brazilian coffee by narrowing the gap between the minimum export price and physical indicator prices, on which the discounts are calculated.

In Rio de Janeiro, meanwhile, Sr. Camillo Calzans, the institute's president, said the move was nothing more than a technical adjustment "to prevent certain foreign exchange practices."

He said Brazil had not changed its export policy. If the country wanted to make its coffee exports cheaper it would have reduced the contribution quota, he added.

Rio trade sources interpreted Sr. Calzan's statement as meaning that the institute wanted to stop export sales being made below the minimum export price. They said the actual price to overseas buyers would be "less attractive" as a result of the change.

The initial reaction on the London market seems to have favoured the "bearish" view of the news. The March coffee price slipped to £1,718 a tonne at one stage before closing £45.5 down on balance at £1,746 a tonne. Dealers said the late rally was encouraged by a reappraisal of the Brazilian move.

The possibility of direct intervention on the world coffee market by a buffer stock has been raised at the first meeting of an International Coffee Organisation working group on stabilising prices through stocks, reports Reuter.

The meeting follows a proposal last year by Mexico that the organisation should study the feasibility of a stock arrangement to support the objectives of the agreement.

Talks on intervention buffer stocks arose at the working group after the EEC tabled a paper detailing the many issues that have to be discussed, delegate sources said.

The working group has no powers to negotiate, and as a result its discussions can range over a much wider field than might be the case if actual negotiations took place.

The EEC paper which has been adopted as a basis for discussion, includes the question of financing, whether stocks should be centrally or nationally held, and the timescale for their introduction.

Many delegates said stocks should be considered in conjunction with the existing quota mechanism.

Some said stocks should be secondary, only being used when quotas caused a build-up in producer stocks.

Others said discussion should include a buffer stock as a primary mechanism.

Trade sources pointed out that as the organisation is due next month to start considering an upward revision in its trigger price for the introduction of quotas, it is quite likely these could come into force before a stocking scheme is finalised.

Rustenburg charges raised $25

By Our Commodities Editor

Rustenburg Platinum Mines announced yesterday it raised the world price it charges for platinum from $180 to $205 an ounce, effective immediately.

The sterling price is raised from £96 to £106.50 an ounce, allowing for an adjustment in the dollar-sterling conversion rate used.

A rise in the producer price of platinum has been widely anticipated, although a move to $200 was the favourite forecast.

Nevertheless free market platinum prices shot up further to new four-year high levels climbing by $8 to $217, while the sterling equivalent rose by £3.8 to £111.40 an ounce.

Impala Platinum, the other major South African producer charging an official producer price, said yesterday it was watching the situation.

But there seems little doubt that it will raise its price in view of the recent sharp upsurge in the free market and the apparent shortage of supplies to meet demand.

In December Impala raised its price to $180, which was $5 above the rise from $162 to $175 announced in November by Rustenburg, who subsequently moved up to $180 as well.

Earlier last year Rustenburg cut production, because of poor demand.

In recent weeks it is believed Rustenburg has been buying free market supplies to help meet demand.

NFU ANNUAL MEETING

Dreamlike view of 'green pound' cut

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

WHATEVER FIRE had been smouldering in angry farmers' breasts in preparation for the National Farmers Union's annual meeting at the Central Hall, Westminster, was effectively smothered by Mr. Silkin's defeat on the "green pound" issue in the Commons the evening before.

But that did not stop anyone, including the president, Sir Henry Plumb, repeating the speeches they had obviously prepared in the anticipation of a further battle, to make Mr. Silkin see the light.

Although the edge of their argument had been blunted, like a succession of Olivers they kept asking for more.

Having been a delegate at these affairs many years ago, I know how frustrating it is to prepare a case only to find that at least 50 other people have written exactly the same speech, and insist on reading it, regardless of what has gone before.

But yesterday I was at the receiving end, and after the 10th attack on Mr. Silkin, the "green pound" and the fact that confidence in the industry was at an end, I found myself drifting off into a never-never land, where a number of earnest speakers were saying much more pertinent things.

A worried farmer deplored the president's reference to the competitive power of British farmers over those in Europe. What would the Europeans have to say about being put out of business or on the dole?

Would they welcome the suggestions, made by Sir Henry, that they should be turned out of their farms and their problems treated not as agricultural, but as social regional and employment ones?

Would they welcome lectures

Sir Henry Plumb . . . repeated speeches.

on agricultural efficiency from Britain where, in terms of population and politics, farming was definitely less important than in their own countries?

Would the president, the speaker continued, be prepared to substantiate his claim that the foreigners were less efficient?

Because otherwise, British farmers, by being told they would be winners in the competitive stakes, could be dangerously led astray.

Unlike the other speakers, he finished before the red light came on and was succeeded by another worried man.

He did not see the point in raising production when all the indications are that most of the food that can be produced in Britain, would only add to the Community surplus.

To his mind small was beautiful. The short potato crops of the last two years had done him as a grower the world of good. What he wanted was permanent shortage, and lots of money.

That frank admission of what every farmer knows drew a horrified gasp from the audience. No one knew where to look or what to say and the confusion was confounded when another farmer boldly asked for actual limits on production.

That, he said, would keep prices up and, at the same time, prevent the ruinous competition which the president so warmly commended.

Not content with rocking the boat, another went on to question the president's keynote speech, in which he said that British housewives would have no objection to paying European prices for food, given European incomes after tax.

Why then, asked the speaker, were the ferries to south coast ports crammed with European housewives buying food?

Why did the German hausfrau risk a motorboat journey to the three-mile limit to floating supermarts, where food was to be bought at third country prices?

And, asked another, why all the talk of exporting to Europe?

Should not the British housewife's problems be given equal attention, after all she was the final arbiter of our production. At that point there was a great cry of protest from the hall.

I opened my eyes to find we were back to basics once again. The meeting finished with the "green pound" at last, had deplored the fact that Mr. Silkin's review of the White Paper Food from our own Resources, must make for selective agricultural development, and had just passed a resolution recommending no interference in the export of livestock to the Continent. It had all been a dream.

Further fall in metal markets

BY JOHN EDWARDS, COMMODITIES EDITOR

BASE METAL prices suffered further heavy losses on the London Metal Exchange yesterday.

Tin prices fell by over £100 for the second day in succession, with standard grade cash tin closing £107.5 down at £6,067.5 a tonne.

The decline in lead continued and the cash price ended £9.25 lower at £311.5 a tonne, while cash zinc lost £12.125 to a new four and a half year low of £241.5 a tonne.

The fall in copper was relatively mild, with cash wirebars down by £5.5 to £635.75 a tonne—the lowest level for nearly two years.

The market was shocked by the surprise move of Kennecott in cutting its domestic copper producer price by 1.50 cents to 61.50 cents a pound when it had only raised the price to 63 cents in mid-December.

There are dark rumours that Kennecott may have been forced to cut prices for its own purposes and that the move may not be followed by other producers.

It is claimed that the market's fairly muted reaction reflects the fact that prices have suffered a big fall and must be "bottoming out"—an argument that was put forward when prices were around £700 a tonne.

Nevertheless, the Kennecott move has deepened the gloom in the base metal markets that has caused the recent sharp decline in values overall, persuading speculators to either liquidate their holdings as prices descend or to sell the market "short."

Especially depressing is the steep decline in the lead market, which was previously the favourite of speculators once tin had lost its shine.

Lead has lost nearly £50 in the last seven trading days under pressure from continued stop-loss selling and speculative liquidation.

It is a far cry from the situation in early December when rumours of Soviet purchases brought forecasts of prices topping £400 before the end of last year.

Zinc is in a similar state of disarray, suffering substantial losses partly as a result of the reduced value of the dollar cutting the European producer quotation of $800 a tonne in real terms.

The recent meeting of the International Lead and Zinc Study Group's standing committee confirmed that production continues to exceed demand and suggested producers should re-examine this year's production forecasts.

Tin is also suffering from the general gloom, and reaction to the big price rises last year.

With more plentiful supplies available, speculative interest has waned and even some good physical buying at the lower level has failed to stop the downward trend in London and Penang.

Australians seek cheese import ban

By Our Own Correspondent

CANBERRA, Jan. 24.

AUSTRALIAN CHEESE manufacturers have asked the Government to impose restrictions on cheese imports.

A meeting of federal and state agriculture ministers in Adelaide yesterday expressed concern at the rising level of imports and the effect on the domestic cheese industry.

The ministers noted that Australian cheese production rose by 23 per cent. between 1971-72 and 1976-77—from 81,000 tonnes to 103,000 tonnes.

Imports rose 44 per cent. from 6,000 tonnes to almost 11,000 tonnes.

U.K. sugar beet price raised

BY OUR COMMODITIES STAFF

PRICES PAID to British sugar beet growers should be boosted for this year's crop as a result of the "green pound" devaluation.

The British Sugar Corporation yesterday announced that agreement had been reached with the National Farmers Union to raise the price paid to growers to £20.50 a tonne of sugar beet, based on a sugar content of 16 per cent., compared with £20 last year.

However, assuming that the Governments implements the "green pound" devaluation to raise the intervention price for sugar, growers will then receive a further 30p in addition making a total of £20.80p a tonne.

There is a proviso that the higher price will only be paid on production up to 9m. tonnes of beet, with the corporation dispensing with the differential pricing between A and B quotas below that figure.

In the event of an exceptional crop yield output over 9m. tonnes will be paid for at a slightly reduced rate, reflecting the difference between A and B quota sugar laid down by the EEC.

Last year's crop is estimated to have yielded around 6.5m. tonnes of beet, giving a white sugar output of some 950,000 tonnes.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

[illegible]

Amalgamated Metal Trading reported that in the morning cash wirebars traded at [illegible] [illegible]

COCOA

In active conditions values were weak for most of the day but in a late rally market regained most of day's losses, reports Gill and Duffus.

[illegible]

COFFEE

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

GRAINS

[illegible]

Barley, Sorghum, Oats: unquoted.

HGCA—Ex farm spot prices January 24. Feed wheat: Humberside £79.00. Gloucester £74.60. Feed barley: Humberside £72.30, Gloucester £70.10.

EEC IMPORT LEVIES—Effective to-day in order current levy plus Feb., March and April previous in brackets in units of account per tonne. [illegible]

MEAT/VEGETABLES

[illegible]

Old (each) 95.0 to 100.0.

Pheasants: Best (per brace) 300.0 to 320.0.

* Very high quality produce in limited supply.

COVENT GARDEN (prices in sterling per package unless stated)—Imported [illegible]

WOOL FUTURES

[illegible]

COTTON

[illegible]

VEGETABLE OILS

[illegible]

SILVER

[illegible]

JUTE

[illegible]

PRICE CHANGES

Prices per tonne unless otherwise stated.

	Jan. 24 1978	+ or —	Month ago
[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES

[illegible]

REUTER'S

[illegible]

DOW JONES

[illegible]

MOODY'S

[illegible]

U.S. Markets

Grains and sugar ease; coffee falls

NEW YORK, Jan. 24.

COPPER eased following producer price decrease yesterday. Precious metals closed slightly lower on speculative profit-taking. Sugar eased on local selling. Cocoa closed steady on Commission House short-covering. Coffee touched limit-down on lack of physical activity. Grains eased in quiet trading with a lack of fresh news. Bache reports.

Cocoa—March 135.05 (134.05), May 126.30 (123.25), July 122.25, Sept. 119.25, Dec. 116.90, March 114.50, May 113.30. Sales: 1,646.

Coffee—"C" Contract: March 190.50-191.50 (193.00), May 171.95-175.00 (179.95), July 163.10, Sept. 155.00 asked, Dec. 145.25 asked, March 139.13 asked, May [illegible]

[illegible]

POLAND'S COPPER LOAN

Benchmark for Eastern Europe

BY MARY CAMPBELL

THE $250m. loan for the Polish copper industry, which has now been signed, has several features which distinguish it from most East European borrowings on the international markets.

It marks a rare occasion of an East European borrower being established as independent from the foreign currency bank of its country (in Poland's case, Bank Handlowy) in the eyes of the U.S. Comptroller of the Currency. Further, the terms of the loan include more rights of on-site inspection by Western lending banks and more provision of information than previous East European borrowings, including the 1975 Polish copper loan (which was a record in this respect at that time).

The first point means that the U.S. lending banks need not aggregate the loan to loans made previously to Bank Handlowy when calculating their capacity to lend to Poland.

U.S. law requires that U.S. banks should not lend more than 10 per cent. of their capital and reserves to any single borrower. "Since major U.S. banks are nearing their legal lending limits for CMEA (Eastern European) borrowers, especially Poland, the Soviet Union and the GDR, creation of separate borrowing entities would greatly enhance these countries' future borrowing potential."

So says East West Markets (EWM), which is published by Chase Manhattan, the head of the lending syndicate.

The establishment of independent borrowers is a sensitive subject in East Europe particularly since it involves giving away a lot more information than many are accustomed to providing. For this reason, the legal opinion obtained by Chase that the borrower (Kombinat Gorniczo-Hutniczy w Lubinie—the Polish copper combine) is a separate entity from Bank Handlowy for the purpose of the 10 per cent. rule—an opinion which has been confirmed by the Comptroller of the Currency—is worth setting out in detail. Given the current increase in emphasis being placed on this rule by the Comptroller, the terms of the legal opinion could also, as EWM puts it, "serve as a useful benchmark for future loan agreement provisions."

The following are listed in support of the so-called "means and purpose criteria" used by the Comptroller to determine independence:

- An undertaking by the Ministries of Foreign Trade and Shipping and Metallurgy, to arrange hard currency copper sales contracts to generate sufficient funds to meet the debt service obligations of the borrowers.
- An irrevocable and unconditional undertaking by Bank Handlowy, Guarantor of the loan, to secure the convertibility and free transfer of funds necessary to meet the borrower's obligations under the credit agreement.
- Adequate arrangements for regular progress reviews during the life of the loan. The agent for the lending syndicate will meet once a year with the borrower and the Ministry of Metallurgy to review developments in the Polish copper industry during the previous year. In addition, there will be one annual on-site inspection of the project during the availability period, by the agent and representatives of the lead managers.
- Documentary proof that the use of the loan proceeds will effectively be restricted to finance part of the planned copper industry expansion.

The right of inspection is to operate for the first three years of the loan maturity—the period during which the money is scheduled to be taken up bit by bit by the borrower. On each occasion that a portion of the funds are drawn, the Poles will have to satisfy the inspection teams that a predetermined stage of the project has been reached. By the end of the third year, the project is expected to be in production. Repayments start after 3½ years.

The terms of the loan, for which Chase Manhattan Ltd., Bank of Montreal, Citicorp International Group, First Pennsylvania Bank, and National Westminster Bank are lead managers, include a final maturity of eight years and interest rate payable at a margin over inter-bank rates of 1⅞ per cent. for the first five years and 1½ per cent. for the remaining three years. The commitment fee is 1½ per cent. per annum on the undrawn balance.

Split spread for CNT loan

BY FRANCIS GHILES

DESPITE ITS exertions, the French Treasury has failed to convince bankers that a margin of ⅝ per cent. over the interbank rate is wide enough for a prime French state borrower. The $40m. 10-year loan for Caisse Nationale des Telecommunications (CNT) carries a split spread of ⅝ per cent. for the first seven years, rising to ¾ per cent. for the remainder.

The split spread is the same as on the $500m. EDF loan recently signed, but the maturity is a little longer. The CNT operation was privately placed with two Japanese banks and arranged by Sumitomo Finance International.

Latin American borrowers continue to be active in the market. The Colombian state electricty *company ESA, which is a reluctant* borrower, is raising $50m. for 10 years on a split spread of ⅞ per cent. ricing to 1½ per cent. This loan carries a sovereign guarantee.

The loan is governed by Colombian law with jurisdiction vested in the courts of Colombia. This is a rule with all medium term loans for Colombian borrowers, and one which not all bankers are happy with. Such concern as there may be did not in any way make the competition for the mandate less keen, nor the terms the borrower was able to get less fine. Lead *manager of this loan is Orion.*

Empresas Lineas Maritimas Argentinas (ELMA) is raising *$50m. for seven years on a* spread of 1½ per cent. There is a sovereign guarantee for this loan which is lead managed by Bank of Montreal and First National Boston.

Two Spanish borrowers are currently in the market. Fenosa is raising $30m. for seven years on a spread of 1½ per cent. There is a three year grace period for this loan, which carries no guarantee. Lead manager is Chase Manhattan Ltd. The gas and electricity company of Cataluna is raising $20m. for six years on a spread of 1½ per cent. Manager of this loan are Credit Lyonnais, Lloyds Bank International, Dresdner Bank, Nippon European Bank and Royal Bank of Canada.

Everite looks for upturn

By Richard Stuart

JOHANNESBURG, Jan. 24.

HOPEFUL SIGNS that the worst might be over for the severely depressed South African building industry are evident from the interim profit statement from the Swiss-controlled Everite group. In spite of its normally cautious attitude to profit forecasts, Everite states that the slowdown in sales over the past six months now appears to have reached bottom.

Although volume sales were lower, sales by value at R28.7m. were 11 per cent. up on the corresponding period. Margins did not come under any undue pressure, being down from 15.5 to 14.3 per cent. pre-tax. More encouraging is that operating profits were almost 50 per cent. higher than for the immediately preceding half-year period.

Comparisons to a certain extent are invalidated by the acquisition of Vianini Pipes for R2.3m. within the past reporting period. Everite bought Vianini from the Calan conglomerate, and at the time of purchase it was, at best, in a break-even position.

Prospects for the remainder of the year are complicated by the performance of Everite's asbestos investment.

Overall, profits are not expected to improve for the remainder of the year, but the low has been reached, and management has been expecting a significant improvement on an 18-month view.

Intelhorce sale places INI in dilemma

BY ROBERT GRAHAM

MADRID, Jan. 24.

A CONTROVERSY has developed over proposals by a private industrial group to sell a large textile concern in Malaga, Southern Spain, which was bought four years ago from the State holding company, INI. The proposed sale of Intelhorce has raised questions about Government policy in regard to industry in depressed southern Spain, as well as the role of INI.

Intelhorce was established in Malaga in 1957 following pressure by the local authorities to diversify away from the region's dependence upon tourism. Despite serious early losses, INI persevered with the textile plant, promising an eventual 3,500 jobs. However, in 1972, INI sold out to Barcelona business interests that included the Banco Catalan de Desarrollo and the Castell Group.

After the sale, Intelhorce's administration and marketing operations were transferred to Barcelona with in effect only the factory and the 2,870 workforce left behind. The reasons given for now seeking to sell off the plant are that a combination of competition from abroad and inadequate quality from the plant itself have created huge stocks and reduced Intelhorce's viability.

This has produced a series of strikes, sit-ins and protest demonstrations from the workforce and deputations from all local political parties.

With Intelhorce being put on the market, INI has been presented with a dilemma. INI is considered the sole likely taker, but at the moment it is seeking to pursue a non-interventionist policy. On the other hand, it has been intimated to unions that if Intelhorce's owners do not find a buyer, the plant is likely to be closed, with some 10,000 families directly or indirectly affected. The Malaga region already has some 70,000 unemployed, and has the highest percentage of unemployed in Spain.

Nippon Light Metal reconstruction

TOKYO, Jan. 24.

NIPPON LIGHT METAL Company Ltd. said that its president, Yoshimasa Matsunaga, has agreed with the three major shareholders, including Alcan Aluminium of Canada, to form an advisory group to help it reconstruct its business.

The Japanese aluminium smelter is expected to suffer a deficit for the current year, ending in March, as a result of the prolonged recession, a fall in market prices and the yen's appreciation in the foreign exchanges.

The two other shareholders are Dai-Ichi Kangyo Bank and the Industrial Bank of Japan, both bankers to the company.

- Nippon Light Metal had an after-tax loss of Y1.26bn. (about £2.7m.) in the first half of the current year, compared with Y6.64bn. in the same period of the previous year.

Sasebo HI cuts

SASEBO HEAVY Industries of Japan—hit by the slump in the shipbuilding industry — has announced a plan to cut costs which includes voluntary early retirement of 1,000 employees, or a quarter of the company's workforce.

Sasebo, Japan's eighth largest shipbuilder, said that other measures it was taking called for transferring 600 workers to its affiliates, suspension of semi-annual bonus payments, suspension of annual wage rises for most workers, and wage cuts averaging 15 per cent. for other employees.

The company expected sales in the fiscal year beginning April 1 to fall 30 per cent. from the current year's level to Y68.6bn.

Agencies

EUROBONDS

DM issues end lower after fluctuating

By Mary Campbell

THE EUROBOND market was generally quiet yesterday, though in Deutsche-marks there was some fluctuation and prices ended the day somewhat lower. Selling was, however, mainly professional, dealers said.

In the dollar sector, the main interest to-day is likely to focus on the new European Coal and Steel Community issue, although, given its Middle Eastern flavour, it is not likely to be traded as widely as most U.S. dollar ECSC issues.

Despite the fact that market conditions have improved since the issue was announced, the issue price has been set at 99. The coupon remains unchanged from indications at 8⅝ per cent., putting the yield at 8.57 to an investor who has bought at the issue price and 8.82 per cent. to a member of the selling group who benefits from the full 1½ point discount.

The significance of the issue was that the terms as originally indicated were based largely on a comparison with the terms on which the recent EIB and Eurofima offerings had been priced—and these issues fell to discounts larger than the selling group concessions in after-market trading. When originally announced, it seemed that the ECSC issue confirmed an emerging two-tier yield structure, one for the primary market and one for the secondary market.

The combination of the big discount in the issue price and the improvement in market conditions in the 10 days since it was announced mean that the terms of the ECSC issue are in the event much less out of line with the market than original indications suggested they might be.

By way of comparison, the 9¼ per cent. ECSC issue which is due to be repaid in 1986 (a year after the new issue) could be bought last night at about 101¾, to yield just under 9 per cent. (though it could probably only be bought on a somewhat lower yield by those wanting to buy in size).

In the D-mark sector, it seems that New Zealand's DM200m. offering is not now likely to appear until next week. It is expected to be a seven-year issue and, subject to market conditions, is likely to offer a 5½ per cent. coupon.

U.S. PAPER INDUSTRY

Outlook still uncertain

BY STEWART FLEMING IN NEW YORK

THE DIVERSITY of fourth quarter performance among major companies in the U.S. paper and forest products industries has underlined the uncertainty about profits in 1978.

The variations are well illustrated in the results of International Paper, the industry leader with sales of $3.7bn., and one of its major competitors, Crown Zellerbach.

Last week, IP revealed that its fourth quarter earnings jumped by 33 per cent. to $64m. This week, Crown Zellerbach reported a gain of only 4 per cent. to $27.5m. For the full year, however, IP showed an 8 per cent. decline to $234m., in spite of an improving quarter to quarter trend, and Crown Zellerbach earnings were 8 per cent. higher at $109m.

The major companies in the industry are widely diversified with their operations ranging from lumber and plywood for construction to pulp, newsprint, paper and packaging for the consumer industries. It is the different emphasis of these varifying operations in each company which helps to explain the diverse trends of profitability.

Companies with a heavy commitment to market pulp, for example, have been suffering from notoriously weak prices which some observers predict could continue to the end of the decade.

Similarly, as several executives have noted in their fourth quarter statements, production of uncoated and packaging papers has been weak with the result that attempts to push through much-needed price increases have failed.

In contrast, as Mr. Andrew C. Siegler, president and chief executive of Champion International points out his company has been experiencing exceptionally strong demand for coated papers—which are used, for example, in magazines—and has not been able to keep up with demand.

There has been no doubt, however, which has been the outstanding sector of the market for the industry—lumber and plywood production.

The results of Georgia-Pacific, which is particularly well placed in the construction side of the business, illustrate the point. Fourth quarter profits are up 20 per cent. to $65m. and for he full year net profits rose 22 per cent. to $262m. on sales revenue of $3.67bn. (1976 $3bn.).

There is a ready explanation for the strength of earnings on this side of the industry. Housing starts rose 29 per cent. to almost 2m. in 1977, with the single family home segment hitting record levels at the end of the year. This surge in housebuilding, fuelled by low interest rates, adequate supply of mortgage funds and strong demand from consumers who have been watching house prices rise, combined to allow lumber and plywood producers to raise prices by 15 per cent. or more on average, as well as to increase output strongly.

Thus the performance of leading companies in the paper and forest products industries has reflected their commitment to different sub-sectors of the overall market. As share analysts look into 1978, the picture is still complicated.

There is a growing consensus that the housing industry has probably hit its peak for this economic cycle and that the lumber and plywood side of the business cannot look forward to another year of surging growth. Sharp increases in interest rates are already threatening to stimulate "disintermediation" in the financial markets—that is the process by which private investors channel their funds directly into money and bond markets rather than into the savings and loans associations which provide the bulk of the mortgage finance for homes. So at least some slowdown in house construction is expected even by optimists, although the construction already in the pipeline should ensure against a slump this year.

But the convergence of views at the lumber end of the market is not matched in other sectors, with analysts still debating whether 1978 will see stronger demand for paper and packaging accompanied by successful moves to raise prices.

Even some of the more optimistic observers are predicting only 5-10 per cent. earnings growth for the paper industry this year. They base their arguments in part on the view that 1977, which saw production rise by an estimated 2 per cent. to 62m. tons, marked a turning point for the industry—during which consumption rose more strongly but this demand, in part, was met by running down inventories.

On this view the normal one-to-one relationship between paper production growth and the growth of real gross national product will be re-established this year now that stocks are at minimum levels. Given the general forecast of 4½ per cent real growth in the economy this should translate into stronger output and pricing trends for much of the industry. Since the industry has also been cautious about adding capacity, higher operating rates can also b[e] expected. All of this shoul[d] enable companies to pus[h] through price increases and a[t] least catch up with last year' cost escalation.

The optimists recognise tha[t] their arguments will not b[e] equally true for the whole pr[o]duct range. Thus price increase[s] for coated white papers see[m] sure to "stick," and the curre[nt] attempt to hoist newsprint pric[es] by around 5 per cent. should al[so] succeed.

But there are still doub[ts] about how successful the co[m]panies will be in raising carto[n] and, of course, pulp prices.

There is, too, a contrary vie[w] which says that a fundament[al] change has taken place in th[e] relationship between paper pr[o]duction and GNP, as a result [of] the big increases in paper pric[es] forced through in 1973/74. [On] this view the industry can co[n]tinue to expect its customers [to] economise on paper use, part[ly] by a continued switch to cheap[er] varieties, and this will contin[ue] to exert a depressing influen[ce] on the industry's prices an[d] profits.

The major companies the[m]selves will be watching th[e] markets anxiously to see wheth[er] this proves to be the case, a[nd] no doubt hoping that the inve[st]ment in cost saving projects w[ill] begin to pay off this year a[nd] particularly in 1979.

PAPER COMPANY EARNINGS

	4th quarter	Year
International Paper	+33%	−8%
Georgia Pacific	+20%	+22%
Crown Zellerbach	+4%	+12%
Champion International*	−51.7%	−3.9%
Mead Corporation	+9%	+13.5%
Gt. Northern Nekoosa	+2%	−5%

* Reflects net loss from withdrawal from furnishings business o[f] $32m.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	96½	97
AMEV 8pc 1987	95¾	96½
Australia 8½pc 1992	95½	96
Australian M. & S. 9½pc '92	97¾	98¼
Barclays Bank 8¾pc 1992	96¾	97¼
Bowater 9½pc 1992	96¾	97½
Can. N. Railway 8¾pc 1986	95¾	96¼
Credit National 8¾pc 1986	97½	98¼
Denmark 8½pc 1984	99¼	100¼
ECS 9pc 1995	96½	98¼
ECS 8¾pc 1997	96¾	97
EIB 8¾pc 1992	98¾	99
EMI 9½pc 1989	97¾	98½
Ericsson 8¾pc 1989	96½	97¼
Esso 8pc 1986 Nov.	99¾	100¼
Gt. Lakes Paper 8¼pc 1984	99	99¾
Hamersley 9½pc 1992	100¼	101
Hydro-Quebec 9pc 1992	96¼	96¾
ICI 8½pc 1987	96¾	97¼
ISE Canada 9½pc 1986	102¾	103½
Macmillan Bloedel 9pc 1992	96½	97½
Massey Ferguson 9¾pc 1991	102	102¾
Michelin 9¼pc 1988	100¾	101¼
Midland Int. Fin. 8¾pc 1992	96¾	97½
National Coal Bd. 8pc 1987	94¼	95¼
Natnl. Wstmnstr. 9pc 1986	102¼	103
Newfoundland 9pc 1989	99	99¾
Norges Kom. Bk. 8¾pc 1992	95¼	96¼
Norpipe 8¾pc 1989	95¾	96½
Norsk Hydro 8¾pc 1992	95½	96
Oslo 9pc 1988	100½	101
Ports Autonomes 9pc 1991	98¾	99¼
Prov. Quebec 9pc 1995	95½	96¼
Prov. Saskatch. 8¾pc 1986	98¾	99¼
Reed International 9pc 1987	94¼	95
RHM 9pc 1992	94¾	95¾
Selection Trust 8¾pc 1989	91½	92¼
Skand. Enskilda 9pc 1991	98¾	99¼
SKF 8pc 1987	93	93¾
Sweden (K'dom) 8¾pc 1987	95¾	96
United Biscuits 9pc 1989	98½	99
Volvo 8pc 1987 March	93¼	94
NOTES		
Australia 7¾pc 1984	94¾	95½
Bell Canada 7¾pc 1987	94¼	95
Br. Columbia Hyd. 7¾pc '85	93¾	94½
Can. Pac. 8¼pc 1984	99	99¾
Dow Chemical 8pc 1986	98	98¾
ECS 7¾pc 1982	98	98½
ECS 8¾pc 1989	96½	97
EEC 7½pc 1982	97	97¾
EEC 7¾pc 1984	95¾	96¼
Enso Gutzeit 8¾pc 1984	96¼	97
Gotaverken 7¾pc 1982	97¾	98¼
Kockums 8pc 1983	97½	98¼
Michelin 8¾pc 1983	99¾	100¼
Montreal Urban 8¾pc 1981	[illegible]	99¾
New Brunswick 8pc 1984	96	96¾
New Bruns. Prov. 8¾pc '83	102	102¾
New Zealand 8¾pc 1986	97½	98
Nordic Inv. Bank 7¾pc 1984	95¾	96½
Norsk Hydro 7¾pc 1982	97½	98
Norway 7¾pc 1982	96¾	97½
Ontario Hydro 8pc 1987	94¾	95½

	Bid	Offer
Singer 8½pc 1982	99½	100¼
S. of Scot. Elec. 8¾pc 1981	99½	100¼
Sweden (K'dom) 7¾pc 1982	97½	98¼
Swedish State Co. 7¾pc '82	96¾	97½
Telmex 8½pc 1984	98	98½
Tenneco 7¾pc 1987 May	93	93½
Volkswagen 7¾pc 1987	93½	94¼
STERLING BONDS		
Courtaulds 9½pc 1989	96½	97
ECS 9½pc 1989	100½	101½
EIB 9¾pc 1992	97½	98
Finance for Ind. 9¾pc 1987	98¼	99¼
Fisons 10½pc 1987	99¾	100½
Total Oil 9½pc 1984	98¼	99
DM BONDS		
Austria 6½pc 1983	106	106½
BFCE 7pc 1987	104¾	105¼
Denmark 6¾pc 1983	105	105¾
EIB 6¾pc 1984	105¾	106¼
Grand Met. 7pc 1984	101½	102½
Hydro-Quebec 6¾pc 1987	101	101½
ICI 6¾pc 1987	105½	106¼
Montreal 7pc 1987	102½	103
Norsea Gas 7pc 1989	106	106¾
Norsk Hydro 6¾pc 1989	104¾	105¼
Norway 5¾pc 1982	103¾	104¼
Shell 6¾pc 1989	107¾	108¼
Spain 6¾pc 1984	100¾	101¼
Sweden 6½pc 1984	104¾	105½
World Bank 6¾pc 1987	103¾	104¼
FLOATING RATE NOTES		
Bank of Tokyo 1984 7 15/16pc	98¾	99¼
BFCE 1984 7pc	98	98½
BNP 1983 6¾pc	99½	99¾
CCF 1983 8pc	99¾	99¾
CGMF 1984 6 13/16pc	98½	98¾
Creditanstalt 1984 7¾pc	98¾	99
Credit Lyonnais 1982 6¾pc	99½	99¾
DG Bank 1982 7 13/16pc	99¾	100¼
GZB 1981 7¾pc	100½	100¾
Intl. Wstmnstr. '84 7 15/16pc	99	99½
Lloyds 1983 7¾pc	100	100½
LTCB 1982 6¾pc	99¼	99¾
Midland 1982 8pc	101	101½
Midland 1987 7 11/16pc	98½	98¾
OKB 1983 6¾pc	99¾	99¾
SNCF 1985 6 13/16pc	97¾	98¼
Stndd. and Chtrd. '84 6¾pc	98¾	98¾
Wms. and Glyns 1984 7pc	99¾	99¾
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4¼pc '87	78	80
Ashland 5pc 1988	88	90
Babcock & Wilcox 6¾pc '97	96	98
Beatrice Foods 4¼pc 1992	87	89
Beatrice Foods 4¾pc 1992	99	101
Beecham 6¾pc 1992	99	100
Borden 5pc 1992	97½	99½
Broadway Hale 4¾pc 1987	73	75
Carnation 4pc 1987	76	78
Chevron 5pc 1988	111	113
Dart 4¾pc 1987	79	81
Eastman Kodak 4½pc 1988	81	83

	Bid	Offer
Economic Labs. 4¾pc 1987	77	79
Firestone 5pc 1988	80	82
Ford 5pc 1988	79½	81½
General Electric 4¼pc 1987	80	82
Gillette 4¾pc 1987	75½	77½
Gould 5pc 1987	111½	113½
Gulf and Western 5pc 1988	75½	77½
Harris 5pc 1992	130½	132½
Honeywell 6pc 1986	84	86
ICI 6¾pc 1992	83¼	84½
INA 6pc 1997	92	93
Inchcape 6¾pc 1992	109	110
ITT 4½pc 1987	74½	76½
Jusco 6pc 1992	105¼	106¼
Komatsu 7¾pc 1990	104¾	105¾
J. Ray McDermott 4¾pc '87	181½	183½
Matsushita 6¾pc 1990	118	119½

	Bid	Offer
Mitsui 7¾pc 1990	104½	[illegible]
J. P. Morgan 4¾pc 1987	84	[illegible]
Nabisco 5¾pc 1988	99½	[illegible]
Owens Illinois 4¾pc 1987	113½	[illegible]
J. C. Penney 4¾pc 1987	74	[illegible]
Revlon 4¾pc 1987	107	[illegible]
Reynolds Metals 5pc 1988	82	[illegible]
Sandvik 6¾pc 1988	102	[illegible]
Sperry Rand 4¾pc 1987	79½	[illegible]
Squibb 4¾pc 1987	77	[illegible]
Texaco 4¾pc 1988	76½	[illegible]
Toshiba 6¾pc 1992	96½	[illegible]
Union Carbide 4¾pc 1982	89	[illegible]
Warner Lambert 4¾pc 1987	77½	[illegible]
Warner Lambert 4¾pc 1988	71½	[illegible]
Xerox 5pc 1988	73½	[illegible]

Source: Kidder, Peabody Securities

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Xerox ahead of predictions

By Our Own Correspondent

NEW YORK, Jan. 24.

'OURTH QUARTER earnings t Xerox, the world's leading nanufacturer of copiers and uplicators have come out lightly better than the disappointing results management ad forecast earlier in the year. On Wall Street, the share price rose ¼ to $44¼ this morning on he news.

Earnings for the fourth quarter are $94.1m. or $1.17 a hare, compared with $80m. or $1.0 a share in 1976. Management had forecast that the company might report earnings of less than $1.15 a share arlier in the year.

The company said that a igh level of equipment sales hroughout the world made a trong contribution to fourth quarter results, adding that usiness activity involving the Xerox 9200 family of duplicators was the best for any quarter since the high speed line was introduced in 1974.

It said that for 1977 as a whole, placements of leased nd sold copiers were 20 per cent. higher. Earnings for the year came out at $406.6m. $5.06 a share) compared with $361.7m. ($4.50 a share), an ncrease of 12.4 per cent.

The number of copies made n leased machines rose by 8 per cent., a slightly lower ncrease than some analysts had been anticipating, but world-wide rental revenue for he year rose by 6 per cent., eflecting some acceleration in he fourth quarter.

Xerox has been keeping earnngs moving ahead in spite of ierce competition which has een its share of the market drop from over 90 per cent. at he beginning of the decade to n estimated 80 per cent. now by increasing outright sales of ome copier models and, in 977, by aggressive price-cutting.

The company itself still says hat it can maintain a 15 per cent. earnings growth rate per year, but there is scepticism on Wall Street, with some analysis forecasting that competition will remain fierce and limit growth to nearer 10 per cent. In 1978 competition from rivals International Business Machines and Eastman Kodak is forecast to intensify.

Commenting on the figures, Xerox said that in the U.S., 1977 revenue rose by 14 per cent. while international revenue was up 16.5 per cent. World-wide revenues increased from $4.4bn. to $5.07bn.

Exxon's final quarter hit by currency losses

BY STEWART FLEMING

NEW YORK, Jan. 24.

FOREIGN EXCHANGE translation losses, stemming from the sharp decline in the dollar, particularly in the fourth quarter, have hit the profits of Exxon, the world's largest oil company.

Exxon reported to-day that translation losses of $265m. for the year ($205m. in the fourth quarter), have cut 1977's net income to $2.4bn. ($5.38 a share), 8.7 per cent. lower than the $2.64bn ($5.90 a share) earned in 1976.

Fourth quarter earnings were $555m. ($1.24 a share) compared with $681m. ($1.52 a share) in the same period of 1976, a decline of 18 5 per cent.

The fourth quarter figures were weaker than some Wall Street analysts had been anticipating and the shares fell to $43⅜ following the results.

But Exxon pointed out that, excluding the foreign exchange losses and other financial non-operating items, earnings from operations rose 4.9 per cent. over the year to $3bn., and it advised shareholders to be especially cautious in interpreting its current financial results or in using them to forecast future growth because of the impact of changing foreign exchange rates on earnings.

Commenting on the operating results, Mr. C. C. Garvin, the chairman, said that higher prices for petroleum and natural gas worldwide resulted in a 7 per cent. rise in earnings in these lines, even though product volumes were down.

U.S. Anti-Trust chief Mr. John Shenefield told a Senate Small Business Committee that a major civil investigation of the international oil industry is underway, Reuter reports from Washington. The Justice Department's new Energy Section has begun the investigation. It was his only mention of the probe in his prepared testimony.

Domestic U.S. exploration and production earnings rose 8.9 per cent. to $1.1bn., reflecting in part the start up of Alaskan North Slope operations. Higher costs, however, reduced refining and marketing earnings by 7.9 per cent. to $267m.

Exploration and production earnings abroad declined to $1.1bn. in spite of increasing crude production from the North Sea, but refining and marketing operations abroad produced earnings of $483m., "up significantly" from 1976, particularly in Europe.

The company's chemical earnings, a weak sector for most of the diversified oil companies, fell by 11.2 per cent., reflecting stagnant earnings in the U.S. and a 21.4 per cent. decline in foreign chemical earnings, owing to rising operating costs which could not be recovered because of excess productive capacity, Exxon said.

Worldwide capital and exploration expenditures declined from the $5.1bn of 1976 to $4.5bn. in part because of completion of several major projects, including the Alaska pipeline, and a reduction of $400m in expenditure on oil exploration leases.

World-wide expenditures for exploration and development of new oil gas and other energy sources totalled $3.2bn.

World-wide sales revenues totalled $58bn. compared with $52bn. in 1976.

Sperry Rand sales surge

NEW YORK, Jan. 24.

SPERRY RAND Corporation said its order backlog at December 31, 1977, was $2.55bn up 22 per cent. from a year ago.

Bookings of its computer division were "up substantially" in the third quarter with total computer backlog up 30 per cent. from a year ago. The large scale 1100/80 series computer has been "well received".

For the third quarter of 1977, Sperry reported net profit of $39.6m. against $36.7m. for the same period in the previous year. This brought per share earnings of $1.14 against $1.05. Revenue for the period was $906.1m. against $803.7m.

For the nine months, on revenue of $2.6bn. against $2.4bn. for the same period in the previous year, net profit came out at $117m. against $109m. This brought earnings per share to $3.37 for the period against $3.13.

Mr. J. Paul Lyet, chairman and chief executive, said foreign exchange losses arising from balance sheet translations were equal to 24 cents a share in the third quarter compared with 13 cents last year and 33 cents a share in the nine months ended December 31, compared with 21 cents a share in the corresponding period a year ago.

Before considering these losses, net income was higher than last year by 16 per cent. for the third quarter and 10.4 per cent. for the nine months, he said.

"Good revenue gains were achieved in our computer, farm equipment, fluid power and guidance and control businesses," he said. "A particularly significant development was a 41 per cent. surge in farm equipment orders despite general weakness in the industry."

New company to replace Unida

BY PAUL BETTS

MILAN, Jan. 24.

AFTER MORE than two days of intensive talks between the Italian state holding company, IRI, the Government and the labour unions, and some seven months of controversial negotiations, agreement has been finally reached over the future of the troubled state confectionery group, Unidal.

The agreement provides for the liquidation of Unidal, which groups together two of Italy's oldest confectionery groups Motta and Alemagna, and the setting up of the new state concern Sidalm. The new company, aimed at rationalising the state's interests in the food manufacturing sector, will absorb some 4,000 of the 6,000 people who are to be laid off following the restructuring of Unidal into the new company Sidalm.

As for the remaining 2,000 lay-offs, about 1,000 people will be re-employed within the IRI group, and the Government guarantees to give priority to finding jobs for the other 1,000 people.

In return for state guarantees to maintain employment levels, the trade unions accepted the principle of labour mobility to resolve the Unida affair.

However, at factory level the Government-union pact is likely to receive a mixed reception. The concept of labour mobility, designed essentially to promote and protect employment in the depressed south of the country, is expected to be resisted by the great majority of Unidal workers—many of whom are women—in the north of Italy.

Daf Trucks profit tops target

BY CHARLES BATCHELOR

EINDHOVEN, Jan. 24.

NET PROFIT of Daf Trucks, the Dutch commercial vehicle maker, was 50 per cent. higher than expected in 1977 at around Fls.30m. In September Daf forecast that net profits would rise to Fls.20-22m. from Fls.10.6m. in 1976.

The pre-tax profit rose to about Fls.50m. in 1977 from Fls.19.5m. in 1976 executive board chairman, Mr. Piet Van Doorne, told a Press conference. Precise figures will be given in Daf's annual report due in April.

The improvement was due to more efficient working, cost savings and a nincrease in sales.

Mr. Van Doorne pointed out, however, that the past two years' profits are not enough to compensate for the losses of Fls 48.2m. in 1974 and 1975.

Daf must make a profit in 1978, the company's 50th anniversary, to allow it to start building up reserves again. Prospects for the current year are not particularly rosy, however. The truck sector is very dependent on general economic trends and the outlook is uncertain.

Daf, which is one-third owned by International Harvester of the U.S., increased production to nearly 13,000 trucks in 1977 from 12,000 the year before. Sales also rose, by 8 per cent., to record 12,780 units. The company still had to limit production levels to hold down stocks.

Short time working was not necessary for the 8,600 workforce in 1977 compared with 1976 when 30 days were not worked. DAF's total production capacity is 18,000 vehicles a year. Investment spending will rise somewhat in 1978 above the Fls.40m in 1977.

The U.K. was Daf's largest export market where it is the second largest importer.

Indiana Standard lifts dividend

A STRONG increase in fourth quarter earnings is reported by Standard Oil Company (Indiana) and the directors have declared a quarterly cash dividend of 70 cents per share of capital stock—an increase of 5 cents, or 7.7 per cent. over the previous rate.

Earnings for the fourth quarter of 1977 totalled $216.8m., equal to $1.48 a share—up 29 per cent. from the $167 7m., or $1.14 a share, earned in the corresponding period of 1976. Total revenues were $3.8bn., against $3.4bn. previously.

Total consolidated net earnings for the whole of 1977 were $1,011 8m., or $6.90 a share—up 14 per cent. on 1976 returns of $888.2m., or $6.05 a share. Total revenues advanced 12 per cent., from $12.7bn. to $14.2bn.

John E. Swearingen, chairman and chief executive, commented that the fourth quarter results are after a further provision of $30m. against an investment in a joint venture copper project in Zaire.

The earnings for 1977 as a whole reflected better results from most overseas petroleum operations, higher natural gas prices in the U.S. and Canada, and expanded domestic sales of refined products.

Meanwhile, from Ashland, Kentucky, it is announced that net earnings of Ashland Oil Company declined in the first quarter ended December 31, from $43.9m. or $1.56 a share for the corresponding period of 1976 to $39.9m. or $1.32 a share.

Revenue totalled $1.31bn. for the three months, against $1.2bn. previously.

The directors attribute the decline in earnings to charges of approximately $10m. for increased interest expenses and higher charges for depreciation, depletion and amortisation.

The higher expenses reflect the group's $500m. capital expenditure programme in 1977 that includes several projects which will contribute to income later in 1978.

Agencies

SEAT seeks layoffs as stocks rise

BY ROBERT GRAHAM

SEAT, Spain's largest motor car manufacturer, has applied to place 34 per cent. of its 32,000 workforce on short time because of mounting stocks of unsold cars. The move appears to have delayed until the new year in order to smooth any labour problems.

SEAT (36 per cent. owned by Fiat, 34 per cent. by the State holding company INI and the remainder private interests) had accumulated by early December 80,000 unsold vehicles. The figure is now believed higher. This is against a normal maximum stock of 45,000 cars. Current stocks represent 25 per cent. of planned 1978 production.

SEAT estimates that 1978 production will be 16 per cent down, at 347,000 units. However if the recession fails to bottom out after the first quarter, even this may prove optimistic. SEAT is being hit not only by the fall-off in demand prompted by the drying up of credit, it is also being affected by competition from the other producers in Spain's protected automotive industry, in particular by Citroen, Renault and, to a lesser extent, by Ford and Chrysler. Seven years ago SEAT enjoyed 60 per cent. of the market. By last October this had slipped to 28 per cent., and SEAT had conceded its place as market leader to Renault.

Under the application to reduce the working week, SEAT is seeking to ensure that workers' reduced wages are topped up by social security payments. This is the first instance of such a move in the automotive sector. Until now short time has primarily affected the steel industry. The main repercussions of the SEAT short time will be felt among the suppliers. It is estimated that SEAT provides directly or indirectly a livelihood for some 250,000 families.

Arbed takes control

LUXEMBOUR, Jan. 24.

AGREEMENT HAS been reached on the merger of the Luxembourg steel company Arbed and the Saarland steel company Stahlwerke Roechling-Burbach, with Arbed controlling the group, Arbed announced. An agreement has been reached with the Roechling family and an agreement in principle was concluded with the owners of Neunkircher Eisenwerke, Arbed said.

AP-DJ

Profit upsurge by Armco

MIDDLETOWN, Ohio, Jan. 24.

ARMCO STEEL Corporation said in reporting sharply higher fourth quarter earnings that strong performances from its machinery, manufacturing and service businesses, plus partial recovery by steelmaking operations provided the gains.

Armco reported that net earnings rose to $1.69 a share from 76 cents a year earlier as sales increased to $913.4m. from $744 2m.

For the full year, Armco net dropped to $3.80 a share from $3.93 while sales rose to $3.55bn. from $3.15bn. in 1976.

Armco said vigorous growth is also expected this year and beyond for its financial businesses, particularly for Armco Financial Corporation.

Armco expressed some optimism for steel in 1978. "The coming year will have to be better than 1977, which was a disastrous year for steel."

Reuter

Canadian Pru denies move

By Robert Gibbens

MONTREAL, Jan. 24.

THE Prudential Assurance Company, Canadian arm of the London-based Prudential, would move its head office out of Montreal if Quebec were to separate, but the company is waiting to see what the regulations proposed for head offices are and "will test their effects in practice before criticising them," said Mr. Ian D. Mair, president.

Mr. Mair said that Toronto reports that the company will shortly move its headquarters to Kitchener, Ontario, from Montreal, "total speculation." But the company has finalised acquisition of a multi-storey building.

This happened two weeks ago just after Sun Life announced its decision to move to Toronto—a decision now delayed for three months.

Loan for Basic Resources Int.

NEW YORK, Jan. 24.

BASIC RESOURCES International SA has completed a $8.5m. financing agreement.

The company said the arrangement extends a $1m. loan from Chase Manhattan Bank and provides for the private placements of $4m. of three-year debentures with Bank de Paris et des Pay-Bas (Suisse) SA and Bank of America's Finabai SA Luxembourg subsidiary and $3.5m. three-year, first-mortgage bonds to an investor group composed mostly of the company's major shareholders and directors.

Basic said the private placements are accompanied by 20,000 three-year warrants for each $100,000 principal amount which entitle holders to purchase Basic shares for $6.50 each.

Agencies

Hoboken earns more

BY DAVID BUCHAN

BRUSSELS, Jan 24.

METALLURGIE Hoboken Overpelt, the Belgian non-ferrous metal refiner announces a jump in net profits for 1976-77 to B Frs.380m. (£6m.) from B Frs.272m. the previous year. This increase is in line with expectations raised by the earlier announcement of a dividend increased to B Frs.170 (150), but the company to-day pointed out that results are inflated by the sale last year of property assets.

For the company's basic refining activity, executives remain gloomy about the recent trend of prices, which although showing some improvement from the start of 1977 rest depressed

Bank Van Loo fails

BRUSSELS, Jan. 24.

BAN VAN LOO ET CIE, a small bank dealing mainly in livestock trade, has been declared bankrupt and its owners arrested, the Brussels prosecutor announced. He alleged the bank's accounts had been forged for 10 years to hide its total losses, estimated at around Frs.500m. Agencies

Dollar fall cuts Merck earnings

RAHWAY, N.J., Jan. 24.

MERCK and Company said foreign currency translation cut earnings by $40m. pre-tax in both the final quarter and the full year 1977, with the full after-tax effect of 13 cents per share coming in the fourth quarter.

The company reported fourth quarter earnings from continuing operations of 83 cents per share, up from 75 cents, on sales of $443.0m., up from $401.8m. For the year operating earnings were $3.67, up from $3.39. Sales were $1.72bn., up from $1.56bn.

Merck said 1977 earnings were aided by the higher sales and improved operating efficiency.

Reuter

Optimism at Northrop

LOS ANGELES, Jan. 24.

NORTHROP CORPORATION, spurred by a sales increase of 6 per cent., a continuing improvement in operating efficiency and the removal of all non-profitable operations expects to report that net income for 1977 was about 80 per cent. higher at around $65m. $4.75 a share from the year earlier $36.3m. or $2.88, Mr. Thomas V. Jones, chairman, said.

Sales for the year were about $1.59bn, up from $1.27bn., he added.

Northrop's fourth quarter was its best of the year with net income of about $17m. or $1.23 a share, up from the year ago $13m. or $1.13, Mr. Jones said. Sales rose to around $447m. from $351.4m., he added.

Mr. Jones was optimistic about the diversified aerospace concern's outlook for the current year, but cautioned that the size of the earnings gains could not be repeated.

AP-DJ

Payout up at Con. Ed.

NEW YORK, Jan. 24.

CONSOLIDATED EDISON Company of New York said its board raised the quarterly dividend to 55 cents per share from 50 cents, payable March

The company raised its dividend from 40 cents last January.

Con. Ed. reported unaudited net income for common stock for 1977 of $279.4m. or $4.33 a share against 1976 results of $247.1m. or $4.18.

The company continues to anticipate a further decline in 1978 earnings which it previously announced and that the decline could be substantial.

The company reported net income for common stock for the fourth quarter of 1977 of $46.6m. or 78 cents a share against $54.6m. or 89 cents.

Agencies

U.S. QUARTERLIES

AMERICAN ELECT. PWR.

Fourth Quarter	1977 $	1976 $
Revenue	535m.	490m.
Net Profits	71.4m.	69.7m.
Net Per Share	0.70	0.75
Year		
Revenue	2.04bn.	1.84bn.
Net Profits	236.9m.	236.9m.
Net Per Share	2.42	2.60

SEABOARD COAST LINE

Fourth Quarter	1977 $	1976 $
Revenue	483.4m.	396m.
Net Profits	35.6m.	23.3m.
Net Per Share	2.30	1.61
Year		
Revenue	1.75bn.	1.55bn.
Net Profits	102.3m.	84.9m.
Net Per Share	7.02	5.84

GERBER PRODUCTS

Third Quarter	1977 $	1976 $
Revenue	109.5m.	100m.
Net Profits	6.5m.	3.5m.
Net Per Share	0.79	0.43
Nine Months		
Revenue	322.9m.	230m.
Net Profits	16 6m.	16.3m.
Net Per Share	2 04	2.01

UNION PACIFIC

Fourth Quarter	1977 $	1976 $
Revenue	678.7m.	553 6m.
Net profits	63 8m.	58 0m
Net per share	1.34	1 24
Year		
Revenue	2.5bn.	2.02bn.
Net profits	222 0m.	187.7m.
Net per share	4.68	4.02

NORTHWEST BANCORP

Fourth Quarter	1977 $	1976 $
Net profits	190.9m.	157.7m.
Net per share	0.80	0.67
Year		
Net profits	691.9m.	587.9m.
Net per share	3.00	2 63

HEUBLEIN

Second Quarter	1977 $	1976 $
Revenue	443.8m.	410.1m.
Net Profits	16.8m.	14.1m.
Net Per Share	0.79	0.65
Six Months		
Revenue	831.9m.	799.7m.
Net Profits	31.3m.	27.4m.
Net Per Share	1.47	1.27

AMSTED IND.

First Quarter	1978 $	1977 $
Revenue	158m.	121m.
Net Profits	12.4m.	8.9m.
Net Per Share	2.31	1.28

BOISE CASCADE

Fourth Quarter	1977 $	1976 $
Net Profits	27.9m.	27.5m.
Net Per Share	1.03	0.92
Year		
Revenue	2.32bn.	1.93bn.
Net Profits	115.6m	97.3m.
Net Per Share	4.0	3.30

ARO CORP.

Fourth Quarter	1977 $	1976 $
Revenue	16.8m.	15.8m.
Net Profits	1.8m.	1.7m.
Net Per Share	0.92	0.87
Year		
Revenue	63.0m.	55.4m.
Net Profits	5.5m.	4.5m.
Net Per Share	2 76	2.27

LEAR SIEGLER INC.

Second Quarter	1977 $	1976 $
Revenue	271m.	184.6m.
Net Profits	10.2m.	8m.
Net Per Share	0.74	0.57
Six Months		
Revenue	535m.	356m.
Net Profits	19m.	14m.
Net Per Share	1.37	0.99

ROHM & HAAS

Fourth Quarter	1977 $	1976 $
Revenue	267.4m.	243.2m.
Net Profits	6.9m.	5.7m.
Net Per Share	0.54	0.44
Year		
Revenue	1.12bn.	1.01bn.
Net Profits	45.6m.	46.1m.
Net Per Share	3.55	3.59

DONALDSON, LUFKIN & JENRETTE

Fourth Quarter	1977 $	1976 $
Revenue	31.2m.	27.4m.
Net Profits	197,000	911,000
Net Per Share	0.03	0.13
Year		
Revenue	104.5m.	90.8m.
Net Profits	275,000	3.6m.
Net Per Share	0.04	0.45

CRANE CO.

Fourth Quarter	1977 $	1976 $
Revenue	272.4m.	260.8m.
Net Profits	9.3m.	9.4m.
Net Per Share	0.94	0.92
Net Share dil.	0.89	0.87
Year		
Revenue	1.1bn.	1.1bn.
Net Profits	66.2m.	48m.
Net Per Share	6 52	4.61
Net Share dil.	6.17	4.31

EASTERN AIRLINES

Fourth Quarter	1977 $	1976 $
Revenue	521 9m.	448 1m
Net profits	9 7m.	*2.45m
Net per share	0.46	0.13
Year		
Revenue	197 6m.	168 7m.
Net profits	8 2m.	5.8m.
Net per share	0.39	0.29

* Loss

FIRST CHICAGO CORP.

Fourth Quarter	1977 $	1976 $
Net profits	30 0m.	17 4m.
Net per share	0.75	0.44
Year		
Net profits	111 1m	93.0m
Net per share	2 80	2.35

BAUSCH & LOMB

Fourth Quarter	1977 $	1976 $
Net profits	6 9m.	5.5m
Net per share	1.17	0 95
Year		
Revenue	377 9m.	349.1m.
Net profits	25.0m.	20.8m
Net per share	4.28	3 57

AMERICAN AIRLINES

Year	1977 $	1976 $
Revenue	2.28bn.	2 01bn.
Net Profits	81.9m.	56 3m

SOUTHERN RAILWAY

Fourth Quarter	1977 $	1976 $
Revenue	288 5m.	269.5m
Net profits	20.0m.	24.6m
Net per share	1 29	1.61
Year		
Revenue	1.1bn.	1.0bn.
Net profits	107 1m.	89.2m
Net per share	7.04	5.95

BUDD CO.

Fourth Quarter	1977 $	1976 $
Revenue	325 6m.	255 1m
Net profits	11.1m.	7 0m
Net per share	1 50	1 00
Year		
Revenue	1.3bn.	1 1m
Net profits	46 0m.	27 2m
Net per share	6.32	4.20

STOCK EXCHANGE REPORT

Gilt-edged and equities drift lower on lack of buyers

Index sheds 3.2 to 483.4—Golds firmer—Platinums good

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan. 16	Jan. 26	Jan. 27	Feb. 7
Jan. 30	Feb. 9	Feb. 10	Feb. 21
Feb. 13	Feb. 23	Feb. 24	Mar. 7

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

British Funds lost a little more ground yesterday. No selling pressure developed, but buyers remained on the sidelines with institutional investors apparently still content to build up their liquidity ratios. After a steady to firm start, prices came back across the board to register falls to ½ and both ends of the market were easing further in the inter-office trade. The Government Securities index eased 0.33 to 76.67 for a three-day reaction of 0.69.

Elsewhere in stock markets, continued absence of support also left widespread small falls in leading equities and the FT Industrial Ordinary share index, down 2.5 at 11 a.m., closed at 483.4 for a loss of 3.2. Falls in the constituents again rarely exceeded twopence.

The day's list of trading statements was again small, but provided dull features in Carpets International, 8 off at 47p, and Davy International, down 12 at 232p, on disappointing interim reports. Overall, falls and rises in FT-quoted were evenly matched, but the downward bias was seen in a further slight fall in the FT-Actuaries All-share index at 212.54. Few sectors moved against the trend, while Stores and Hire Purchase issues showed above-average losses despite recent reports of increased consumer demand this year.

Gold shares made further headway with the investment currency premium and the bullion price, but Mining issues were featured by a further advance in Platinum shares which were helped by news that Rustenburg has raised its minimum selling price for the metal by a near-14 per cent. to $205 an ounce.

Official markings amounted to 6,132 as against Monday's 5,404 and the week-ago 6,194.

Gilts deteriorate

Lacking in both investment demand and enthusiasm, the market in British Funds was obviously sensitive to selling which, although of little weight, left stock none too easy to place. A continuation of Monday's easier trend was thus almost unresisted and 3.30 p.m. losses of ½ were extended in business after the official close by another ¼ or so. The possibility of a small reduction soon in Minimum Lending Rate lent no support, potential buyers being nervous throughout and shying away at each phase of the gradual deterioration in values. Still basically untraded, the long tap Exchequer 10½ per cent. 1995 was lowered ½ more to 29 which, in £30-paid form, represents a point discount on the issue price. On this occasion, Corporations followed the downturn in the main funds and closed with falls ranging to ½, but Southern Rhodesians bonds retained their firmness although interest was extremely light.

In a near repetition of the trading conditions obtaining over the past week and more, the investment currency premium moved higher. Renewed institutional support was again only partially met with the result that closing rates were near the best of the day at 82 per cent., up 2¼ points on the previous night's level. Yesterday's SE conversion factor was 0.7341 (0.7435).

Home Banks easier

The major clearing banks lacked support and consequently drifted lower. NatWest ended 6 off at 290p and Barclays 5 down at 345p, while Lloyds and Midland were 2 lower at 290p and 400p respectively. Foreign issues, on the other hand, made progress in line with investment currency influences. Hong Kong and Shanghai put on 7 to 258p and Algemene added 3½ points at £102. Discounts hardened in places with Gillett Bros. 5 up at 255p. Union held firm at 475p the preliminary results are due to-day.

Interest in Insurances remained at a low ebb. Sun Alliance gave up 4 more to 572p and Guardian Royal Exchange cheapened 2 to 248p as did Royals to 410p.

Scottish and Newcastle returned to favour in Breweries, rising 3 to a 1977-78 peak of 71½ in belated response to the proposed beer price increases. Davenports' were active and 4 better at 95p following fresh speculative demand, but Matthew Clark, another recent speculative favourite, eased 3 to 144p. Elsewhere, Amalgamated Distilled Products closed a penny harder at 38p on the interim dividend and return to profitability.

Movements of any consequence were rare in a lethargic Building sector. McNeill Group rose 6 to 54p on buying in a thin market, while Aberthaw Cement added 2 at 184p and Ben Bailey hardened a penny to 13p.

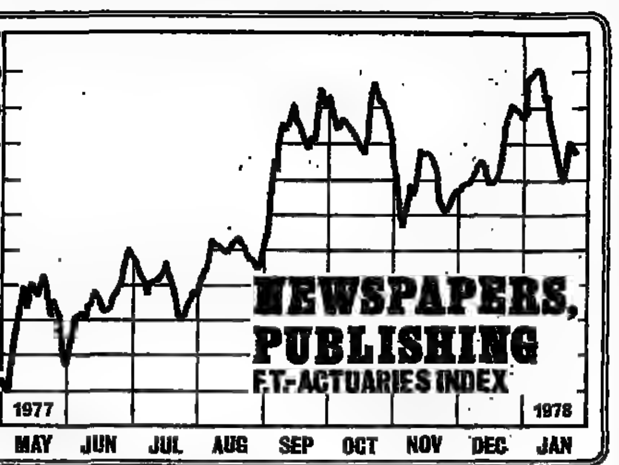
Still drawing strength from investment comment, International Paint added 3 more at 73p. Elsewhere in Chemicals, ICI settled unaltered at the overnight level of 346p.

Persistent small offerings in an unwilling market left Store leaders at the day's lowest and Gussies A shed 8 to 294p, while Debenhams slipped 3 to 107p. A particularly firm market of late reflecting asset value considerations, Burton Ordinary softened a penny to 141p and the A 3 to 127p. Elsewhere, Henderson-Kenton reacted 6 to 80p on nervous selling ahead of Friday's first-half figures, while Status Discount cheapened 3 to 133p in front of to-day's annual results. Cope Sportswear fell 7 to 75p in a thin market, but Allied Retailers gained 3 to 198p. Alfred Preedy were a similar amount better at 81p.

Apart from Thorn, which drifted back 4 to 368p, Electrical leaders were rarely altered. Elsewhere, H. Wigfall encountered occasional profit-taking and eased 5 further to 258p, but Comet Radiovision improved 4 to 108p making the offer for Wigfall worth just over 243p per share. Buyers favoured Crellon 3 to the good at 32p, and Westinghouse Brake, a penny better at 49½p. On the other hand, Racal met with scattered selling and gave up 4 at 218p. Similarly, BICC eased 3 to 113p.

Interim figures well below market expectations prompted marked weakness in Davy International, which reacted quickly to [illegible]p before ralying on bear closing to end 232p for a net fall of 12. Elsewhere in Engineerings, sporadic demand left Braithwaite 4 dearer at 150p and Butterfield Harvey a similar amount better at 67p. Whessoe were favoured at 97p, up 3, while rises of a like nature occurred in P. Brotherhood, 118p, and Manganese Bronze, 101p. Smaller-priced issues to make headway included Habit Precision Engineering, up 2 at 25p, and West Bromwich Spring, a penny higher at 34p. In contrast, W. G. Allen gave up 4 to 48p on the half-yearly profits setback. Rotork, a firm market of late, came back 2 to 138p along with S. Osborn, 3 lower at 78p. Leading issues rarely strayed from overnight levels.

Tate and Lyle lost 2 more to 204p for a two-day fall of 8 on nervousness about to-day's preliminary figures and Fitch Lovell, which reports interim figures to-morrow, eased a penny to 62p. Linfood, 130p, and Rowntree Mackintosh, 390p, lost 5 and 10 respectively. Associated Dairies fell 5 to 233p, but Avana attracted renewed support and closed 1½ harder at a 1977-78 peak of 34¾. Geo. Bassett edged forward a penny to 157p on Press comment outlining its takeover appeal, while other Confectioners in prominence included Needlers, 3 up at 33p, and G. F. Lovell, 7 higher at 83p. Bluebird Confectionery, a firm market of late, shed 4 to 175p. Pork Farms improved 4 to 417p following the appointment of Mr. W. Newton-Clare to the Board and Glass Glover firmed a penny to 26p on the increased earnings.



Press comment directed fresh attention to Wheeler's Restaurants, which moved up 10 to 290p for a two-day gain of 30.

Hoover dull

Interest in miscellaneous industrials centred on secondary issues. Renewed speculative support on bid hopes helped Pauls and Whites improve 5 to 127p, while Zetters pushed forward 4 to 65p for a similar reason. Buying in a thin market helped Charles Hill of Bristol put on 9 at 101p and National Carbonising, at 52p, recorded a Press-inspired gain of 2. Furniture issues were popular, Christie Tyler closing 3½ better at 77½p and Stag 3 higher at 104p, while B. and I. Nathan added 4 at 51p. Maynards also improved 4 at 128p as did Myson, to 69p. Late details of the platinum price increase helped Johnson Matthey advance 6 to 480p, while gains of 3 and 5 respectively were seen in Hirst Mallinson, 38p, and Norton and Wright, 192p. The deteriorating labour dispute within the group upset Hoover A which fell 12 to 350p and London Pavilion lost 35p to 515p on profit-taking awaiting fresh developments in the bid situation. Robert McBride relinquished 15 more at 335p. Hays Wharf shed 5 to 153p and Stallex International 1½ to 16½p. Among the quietly dull leaders, Glaxo shed 5 to 588p and Boots gave up 4 at 219p.

Distributors continued to feature Motors and closed widely better following another good business. Wadham Stringer rose 2½ to 40½p, while BSG International, 43p, and Arlington, 122p, put on 2 a piece. In a thin market, Charles Hurst rose 11 to 95p for a two-day gain of 23. Alexanders hardened ½ to 18½p and gains of a penny were seen in Lex Service, 79p, and Dutton-Forshaw, 48p. Oliver Rix put on ½ more to 6⅞p. Remaining Motor issues were highlighted by Lucas Industries, which finished 8 cheaper at 262p, after 260p, on reports of country selling.

A combination of recovery and bid hopes helped Oxley Printing move forward 5 more to 56p, after 57p. Recent speculative favourite, Mills and Allen International added a like amount at 135p, while London and Provincial Poster hardened 3 to 180p. Jefferson Smurfit, however, fell 9 to 194p

A fairly brisk two-way trade developed in British Petroleum which, after opening 6 lower at 798p on Wall Street advices, held at that level throughout the day. Shell were inclined easier again and gave up 2 more to 510p, but Royal Dutch hardened ¼ more to £39, again on dollar premium influences. Outside of the leaders, Oil Exploration rallied further to 238p following the company's denial of a dry well before settling at 236p for a net gain of 4. Tricentrol, however, were dull at 156p, down 4, while Lasmo eased 2 to 188p and the latter's Options 7 to 393p.

Properties gave further ground on continued scattered selling and lack of incentive. Land Securities gave up 4 at 221p, but MEPC firmed to 133p before drifting back to close a net penny down at 130p. Among secondary issues, Haslemere, 250p, and Slough, 121p, reacted 3 apiece, while loses of 2 were sustained by Stock Conversion, 266p, and Samuel, 92p. Against the trend, Country and New Town encountered speculative support and put on 2¼ to 27p along with Clarke Nickolls, which firmed 2 further to 74p.

Overseas Traders had two firm spots in African Lakes, 5 up at 200p, and Nigerian Electricity, 7 higher at 257p.

Investment Trusts took a turn for the better as the proceeds of the sale of Edinburgh and Dundeed shares were re-invested. Mooloya moved up 3 to 45p, while similar gains were recorded by Colonial Securities Deferred, 240p, and Continental and Industrial, 188p. Clifton Investments featured late with a rise of 1½ to 10½p on news that Alcrafield has sold its 54 per cent. shareholding for 12p a share. In Financials, stockjobbers Akroyd and Smithers improved 8 to 240p.

Shippings were neglected and P. and O. Deferred eased a penny to 114p.

Carpets International featured Textiles, closing 8 cheaper at 47p, after 46p, following an active trade after the company's statement forecasting a loss of approximately £3.2m. for its Australian subsidiaries and casting doubts on the payment of a final dividend. Other carpet issues lost ground, but closed above the worst.

South African Industrials continued firmly despite adverse Press comment and OK Bazaars rose 12 to 317p.

Platinums race ahead

The recent upsurge in Platinums gathered pace yesterday as shares of the South African producers of the metal advanced both prior to and after news that the major South African producer—Rustenburg—had raised its producer price to $205 per ounce from $180.

Shares of Rustenburg closed 12 higher at 98p, after touching a 1977/78 high of 99p, while Bishopsgate Platinum—representing Impala, the second largest producer—were finally 10 better at a high of 90p. Lydenburg put on 4 more to 69p.

Among South African Financials, "Johnnies" were again outstanding with a further half-point improvement to £13¼—a two-day rise of £3—reflecting the company's substantial holding in Rustenburg.

Golds also enjoyed another good day although prices ended below the best following the marginal afternoon reaction in the bullion price, which was finally 75 cents higher at $176.375 per ounce, after being $177.10 at the morning fixing.

Heavyweights were featured by Randfontein, which gained a point at a 1977/78 high of £34, while other issues to show substantial rises included Harmony, 23 firmer at 407p reflecting a shortage of stock, and Wit. Nigel, which climbed 8 more to a high of 58p.

The Gold Mines index moved ahead for the fourth consecutive trading day, rising 6.7 to 159.9, its highest level since October 19 last.

London-registered Financials traded quietly, while in Diamonds De Beers hardened 2 to 302p; in Tuesday's issue the price quoted was incorrect and should have read as 300p.

Investment premium influences enabled Australians to gain ground with Oakbridge prominent at 140p, a rise of 5, and Pacific Copper 3 to the good at 37p.

FINANCIAL TIMES STOCK INDICES

—	Jan. 24	Jan. 23	Jan. 20	Jan. 19	Jan. 18	Jan. 17	A year ago
Government Secs.	76.67	77.00	77.23	77.36	77.00	76.74	54.56
Fixed Interest	80.70	80.85	80.92	80.97	80.83	80.88	65.20
Industrial Ordinary	483.4	486.6	487.6	486.0	476.3	470.9	377.7
Gold Mines	159.9	153.2	147.8	147.3	145.1	143.9	101.2
Ord. Div. Yield	5.57	5.54	5.53	5.56	5.65	5.71	5.96
Earnings Y'ld%(full)(*)	16.99	16.90	16.84	16.89	17.19	17.37	18.41
P/E Ratio (net) (*†)	8.34	8.39	8.42	8.39	8.25	8.16	7.80
Dealings marked	6,132	5,404	5,224	5,031	5,128	6,194	7,071
Equity turnover £m.	—	66.05	88.01	95.56	64.94	68.51	63.19
Equity bargains total	—	14,779	16,004	15,085	13,298	13,225	15,095

10 a.m. 486.1. 11 a.m. 484.1. Noon 484.1. 1 p.m. 484.2. 2 p.m. 484.0. 3 p.m. 483.8.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=8.[illegible]

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.86 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (13/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 24	Jan. 23
—Daily		
Gilt-Edged	199.6	190.1
Industries	209.8	182.6
Speculative	69.2	51.7
Totals	159.6	123.0
5-day Av'rge		
Gilt-Edged	195.4	201.5
Industries	181.8	162.9
Speculative	47.2	44.6
Totals	122.6	122.8

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan. 24	Feb. 6	Apr. 27	May 10
Feb. 7	Feb. 20	May 11	May 23
Feb. 21	Mar. 6	May 25	Jun. 7

For rate indications see end of Share Information Service

Money was given for the call of Excalibur Jewellery, Levex, J. Brown, W. E. Turner, Oliver Rix, Armour Trust, Dunlop, Allied Colloids, J. Haggas, Westminster and Country Properties, English Property, Frank Gates, Consolidated Gold Fields, Avon Rubber, Tricentrol, Garfield Lilley, Westland, British Land, Burmah Oil, Western Areas, Dunlop, Burton "A," Royco, National Carbonising, Davenports' Brewery, Hanger Investments, Mills and Allen, Ofrex, BP, Intereuropean Property, Selincourt, London Brick and Rowlinson Construction. Puts were taken out in Imperial Group, Talbex and Town and City, while doubles were arranged in KCA, Viking Oil, Selincourt, Shaw Carpets, Talbex, Avon Rubber, Oil Exploration, Town and City, British Land and Brittania Arrow.

NEW HIGHS AND LOWS FOR 1977/78

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977-78.

NEW HIGHS (108)

BANKS (1)
BEERS (2)
BUILDINGS (6)
CHEMICALS (1)
CINEMAS (1)
DRAPERY & STORES (7)
ELECTRICALS (1)
ENGINEERING (3)
FOODS (5)
HOTELS (4)
INDUSTRIALS (19)
MOTORS (15)
NEWSPAPERS (2)
PAPER & PRINTING (3)
PROPERTY (2)
SHOES (1)
TEXTILES (8)
TRUSTS (8)
OVERSEAS TRADERS (1)
RUBBERS (5)
MINES (13)

NEW LOWS (3)

BRITISH FUNDS (1)
Exchqr. 10½pc. (£30 paid)
ENGINEERING (1)
Cummins 5¾pc 78-94
TEXTILES (1)
Carpets Internatl.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	1	66	7
Corpns., Dom. and Foreign Bonds	6	13	47
Industrials	332	329	918
Financial and Prop.	94	103	328
Oils	12	8	14
Plantation	8	3	23
Mines	78	6	39
Recent Issues	6	8	40
Totals	536	536	1,412

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price p	+ or –	Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.8	—
104	F.P.	20/1	125	108	Farmer (S.W.)	[illegible]	[illegible]	[illegible]	[illegible]	9.2	7.1
98	F.P.	[illegible]	[illegible]	[illegible]	L.M.I.	[illegible]	[illegible]	[illegible]	[illegible]	8.3	6.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price p	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. q Gross. t Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of Ordinary shares as a "rights." ** Rights by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ||| Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977-78 high	1977-78 low
Rank Org.	25p	16	202	− 1	276	128
De Beers Defd.	R0.05	14	302	+ 2	311	188
BP	£1	13	798	− 6	966	776
Davy Intl.	25p	10	232	−12	268	146
RTZ	25p	9	184	− 2	247	173
Avon Rubber	£1	8	201	− 4	205	74
Carpets Intl.	50p	8	47	− 8	77	46
Reed Intl.	£1	8	140	− 2	225	118
Turner & Newall	£1	8	210	− 1	232	130
Burmah Oil	£1	7	57	+ 1	83	41
Grand Met.	50p	7	104½	− 1½	109	62
ICI	£1	7	346	—	446	325
Shell Transport	25p	7	510	− 2	635	454
BATs Defd.	25p	6	232	− 1	260	202
Debenhams	25p	6	107	− 3	120	66½

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS / GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Jan. 24, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net.) Corp. Tax 52%	Mon. Jan. 23 Index No.	Fri. Jan. 20 Index No.	Thurs. Jan. 19 Index No.	Wed. Jan. 18 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	212.60	−0.3	16.67	5.46	8.48	213.22	212.82	211.36	207.00	144.04
2	Building Materials (27)	193.98	−0.5	15.82	5.45	9.03	194.89	194.07	192.08	189.29	123.49
3	Contracting, Construction (26)	344.46	+0.1	16.83	3.68	8.64	344.02	342.78	336.22	331.17	192.36
4	Electricals (15)	460.32	−0.3	14.48	3.83	9.93	461.79	460.42	460.25	444.44	283.47
5	Engineering Contractors (13)	298.24	−1.0	19.67	6.28	6.96	301.14	301.36	299.48	293.61	184.77
6	Mechanical Engineering (72)	166.56	−0.4	17.55	6.18	8.13	167.29	167.24	166.38	163.23	130.92
8	Metals and Metal Forming (17)	164.65	+0.2	19.13	8.30	6.91	164.29	164.41	162.79	161.15	126.38
	CONSUMER GOODS										
11	(DURABLE) (53)	193.64	−0.9	17.35	4.79	8.41	195.36	195.16	192.98	191.22	128.31
12	Lt. Electronics, Radio TV (15)	233.61	−0.8	15.29	3.55	9.45	235.50	235.00	232.38	229.83	143.55
13	Household Goods (12)	175.26	−1.8	17.79	6.70	7.69	178.51	178.91	178.28	178.56	136.22
14	Motors and Distributors (26)	117.72	−0.8	20.54	6.32	7.29	118.65	118.65	117.10	116.87	83.77
	CONSUMER GOODS										
21	(NON-DURABLE) (176)	200.19	−0.6	15.53	5.70	9.31	201.48	201.77	200.28	196.62	143.84
22	Breweries (14)	223.77	+0.6	14.72	5.92	10.30	222.50	224.22	222.34	215.68	154.52
23	Wines and Spirits (6)	246.13	−0.6	16.56	5.61	9.06	247.58	248.67	248.31	237.16	162.57
24	Entertainment, Catering (18)	263.34	−0.2	14.75	6.53	10.30	263.84	264.87	263.11	258.76	184.40
25	Food Manufacturing (22)	193.77	−0.4	20.58	5.48	6.99	194.56	194.61	193.76	192.60	158.28
26	Food Retailing (16)	201.66	−0.9	13.57	4.49	10.71	203.50	203.90	201.52	196.83	137.77
32	Newspapers, Publishing (13)	337.79	−0.4	9.67	3.70	15.54	339.24	340.39	338.59	329.63	204.59
33	Packaging and Paper (15)	132.65	−0.5	19.90	8.76	7.23	133.29	133.91	133.29	131.68	98.08
34	Stores (38)	190.65	−1.4	10.04	4.15	15.61	193.44	192.89	190.49	187.44	118.49
35	Textiles (25)	177.99	−0.2	19.53	7.44	6.49	178.38	178.78	177.87	176.16	133.88
36	Tobaccos (3)	222.65	−0.7	21.70	8.09	6.14	224.12	224.63	224.24	219.09	231.77
37	Toys and Games (6)	104.97	+0.2	19.66	5.66	6.80	104.75	104.02	104.19	103.32	81.32
41	OTHER GROUPS (97)	192.34	−0.3	16.46	5.64	8.26	192.99	192.98	191.15	186.66	153.09
42	Chemicals (20)	255.57	−0.2	19.35	6.55	7.29	256.17	255.90	255.02	249.87	214.11
43	Pharmaceutical Products (7)	255.40	−0.1	10.77	3.88	11.91	255.77	255.59	253.21	249.18	0.00
44	Office Equipment (6)	134.11	−0.4	19.76	4.61	6.57	134.67	132.63	132.88	132.35	87.65
45	Shipping (10)	478.96	−0.6	20.56	6.11	5.76	481.92	481.79	481.36	478.68	418.25
46	Miscellaneous (54)	204.18	−0.5	15.51	6.00	9.14	205.19	205.33	201.95	200.52	151.88
49	INDUSTRIAL GROUP (496)	207.59	−0.5	16.17	5.56	8.75	208.63	208.64	205.97	203.47	150.41
51	Oils (4)	452.06	−0.6	15.40	4.33	7.89	454.76	457.55	456.99	455.81	439.72
59	500 SHARE INDEX	228.19	−0.5	16.06	5.38	8.62	229.36	229.58	227.96	224.59	173.57
61	FINANCIAL GROUP (100)	174.72	−0.7	—	5.01	—	175.87	176.24	174.47	172.87	127.86
62	Banks (6)	202.05	−1.1	24.39	5.05	6.26	204.36	203.60	201.55	202.93	159.95
63	Discount Houses (10)	225.80	+0.2	—	7.31	—	225.35	225.15	222.69	219.52	169.56
64	Hire Purchase (5)	165.99	−2.0	11.16	4.72	13.26	169.32	170.22	167.76	166.50	106.23
65	Insurance (Life) (10)	145.39	—	—	5.70	—	145.42	146.21	145.38	142.25	106.04
66	Insurance (Composite) (7)	137.37	−0.4	—	5.86	—	137.93	138.14	137.96	136.13	102.55
67	Insurance Brokers (10)	321.01	−0.2	13.23	4.26	11.08	321.61	320.34	321.33	319.68	222.07
68	Merchant Banks (14)	83.98	−0.5	—	5.58	—	84.36	83.94	82.96	82.88	63.70
69	Property (31)	250.18	−0.9	2.77	2.74	67.40	252.57	255.29	248.54	246.40	164.25
70	Miscellaneous (7)	110.16	+0.2	23.15	7.16	6.06	109.98	109.64	109.14	108.31	75.13
71	Investment Trusts (50)	191.34	+0.2	3.24	4.81	30.88	190.93	191.35	190.32	189.31	157.56
81	Mining Finance (4)	94.32	−0.6	16.53	6.21	7.04	94.85	95.09	94.01	91.20	88.47
91	Overseas Traders (19)	287.71	+0.1	16.75	6.65	7.57	287.33	284.65	280.18	275.56	228.69
99	ALL-SHARE INDEX (673)	212.54	−0.5	—	5.33	—	213.59	213.61	212.15	209.24	161.09

FIXED INTEREST PRICE INDICES

	British Government	Tues. Jan. 24	Day's change %	xd adj. To-day	xd adj. 1977 to date
1	Under 5 years	109.21	−0.14	—	0.13
2	5-15 years	122.80	−0.35	—	0.96
3	Over 15 years	130.97	−0.45	—	1.13
4	Irredeemables	145.99	−0.53	—	0.00
5	All stocks	120.28	−0.31	—	0.65

FIXED INTEREST YIELDS

Br. Govt. Av. Gross Red.

			Tues. Jan. 24	Mon. Jan. 23	Year ago (approx.)
1	Low Coupons	5 years	7.49	7.44	[illegible]
2		15 years	9.59	9.54	[illegible]
3		25 years	10.16	10.12	[illegible]
4	Medium Coupons	5 years	9.74	9.66	[illegible]
5		15 years	10.56	10.50	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	10.31	10.19	[illegible]
8		15 years	11.50	11.46	[illegible]
9		25 years	11.55	11.58	[illegible]
10	Irredeemables		11.32	11.26	[illegible]

		Tuesday, Jan. 24 Index No.	Tuesday, Jan. 24 Yield %	Monday Jan. 23	Friday Jan. 20	Thurs. Jan. 19	Wed. Jan. 18	Tues. Jan. 17	Monday Jan. 16	Friday Jan. 13	Year ago (approx.)
15	20-yr. Red. Deb. & Loans (15)	63.44	11.70	63.67	65.26	65.22	65.28	65.38	65.13	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	57.60	12.23	57.57	57.57	57.57	57.57	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml and Indl. Prefs. (20)	78.47	11.49	78.53	78.53	78.48	78.56	78.43	[illegible]	[illegible]	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 22p.

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AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

CLIVE INVESTMENTS LIMITED
Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101
Index Guide as at 11th January, 1978 (Base 100 at 14.1.77.)

Clive Fixed Interest Capital	134.97
Clive Fixed Interest Income	127.53

CORAL INDEX: Close 481-486

INSURANCE BASE RATES

† Property Growth	8½%
Cannon Assurance	4½%

† Address shown under Insurance and Property Bond Table.

BASE LENDING RATES

.B.N. Bank	6½%	■ Hill Samuel §	6½%
llied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
merican Express Bk.	6½%	Julian S. Hodge	7½%
mro Bank	6½%	Hongkong & Shanghai	6½%
P Bank Ltd.	6½%	Industrial Bk. of Scot.	7 %
enry Ansbacher	6½%	Keyser Ullmann	6½%
anco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
ank of Credit & Cmce.	6½%	Lloyds Bank	6½%
ank of Cyprus	6½%	London & European	8½%
ank of N.S.W.	6½%	London Mercantile	6½%
anque Belge Ltd.	6½%	Midland Bank	6½%
anque du Rhone	7 %	■ Samuel Montagu	6½%
arclays Bank	6½%	■ Morgan Grenfell	6½%
arnett Christie Ltd.	8½%	National Westminster	6½%
emar Holdings Ltd.	7½%	Norwich General Trust	6½%
rit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
rown Shipley	6½%	Rossminster Accept'ces	6½%
anada Permanent AFI	6½%	Royal Bk Canada Trust	6½%
apitol C & C Fin. Ltd.	9 %	Schlesinger Limited	7 %
ayzer Ltd.	7 %	E. S. Schwab	8½%
edar Holdings	8 %	Security Trust Co. Ltd.	7½%
harterhouse Japhet	6½%	Shenley Trust	9½%
E. Coates	7½%	Standard Chartered	6½%
onsolidated Credits	7½%	Trade Dev. Bank	6½%
o-operative Bank *	6½%	Trustee Savings Bank	6½%
orinthian Securities	6½%	Twentieth Century Bk.	7½%
redit Lyonnais	6½%	United Bank of Kuwait	6½%
he Cyprus Popular Bk.	6½%	Whiteaway Laidlaw	7 %
uncan Lawrie ¶	6½%	Williams & Glyn's	6½%
agil Trust	6½%	Yorkshire Bank	6½%
nglish Transcont.	8 %		
irst London Secs.	6½%		
irst Nat. Fin. Corpn.	9 %		
irst Nat Secs. Ltd.	8 %		
ntony Gibbs	6½%		
oode Durrant Trust	7½%		
reyhound Guaranty	6½%		
rindlays Bank ‡	6½%		
uinness Mahon	6½%		
ambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½%, and over £25,000 4%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.
¶ 7-day deposits 3½%. Rates for Term Deposits over £1,000 negotiable.

NOTES

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Red.
101	95⅝	Treasury 9pc 1978‡‡	100	......	8.96	5.78
104	97½	Treasury 10½pc '78‡‡	102	−	10.25	5.22
100⅛	90	Exch. 5pc '76-78‡‡	99	......	5.02	5.55
107	95	Treasury 11½pc '79‡‡	104	−	10.99	7.68
97¾	84	Treasury 3pc '79‡‡	95	......	3.15	6.11
96¾	85⅞	Electric 4¼pc '74-79	96¼	......	4.42	6.65
106	92	Treasury 10½pc '79‡‡	103	−	10.10	8.04
97⅞	84⅞	Electric 3½pc '76-79	95¼	−⅛	3.63	6.32
107	87¾	Treasury 9pc 1980‡‡	101⅝	−	8.86	8.15
105¼	88	Treasury 9½pc '80‡‡	102	−	9.31	8.49
96	82⅞	Treasury 3½pc '77-80	94	−⅛	3.72	6.24
95¼	83	Funding 5¼pc '78-80‡‡	95	−¼	5.53	7.57
112	96	Exchequer 13pc 1980‡‡	108⅝	−	11.96	9.43
108	92	Treasury 11½pc 1981‡‡	105	−	10.95	9.53
94¼	77⅛	Treasury 3½pc 1979-81	91 xd	−	3.84	6.79
104	86	Treasury 9¾pc 1981‡‡	100	−¼	9.71	9.56
97	96⅛	Exch. 8¼pc 1981	96	−	8.56	9.50
103½	97½	Exch. 9½pc 1981	99 xd	−¼	9.53	9.63
92⅛	87	Exch. 3pc 1981	87 xd	−	3.42	6.96
96	96⅛	Treas. Variable '81‡‡	96	......	6.51	7.38
113	96¼	Exch. 12¼pc 1981‡‡	109	−	11.68	9.79
100⅝	82⅞	Treas. 8½pc '80-82‡‡	97½	−	8.72	9.27
93½	71⅝	Treasury 3pc '82‡‡	85 xd	+	3.51	7.21
119	101⅞	Treasury 14pc '82‡‡	113	−	12.32	9.91
99½	95¼	Treas. Variable '82‡‡	95	......	6.52	7.37
95⅝	93⅝	Treasury 8¼pc '82	95	−	8.66	9.57
102¼	93⅝	Exch. 9¼pc 1982	98⅝	−	9.40	9.68

Five to Fifteen Years

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Red.
87⅛	81¼	Exch. 3pc '83	81¾ xd	−⅛	3.64	7.32
114¼	95½	Treasury 12pc 1983‡‡	113¼	−¼	11.01	9.79
101⅞	96½	Treasury 9¼pc '83	97⅞	−¼	9.47	9.81
95½	72⅝	Funding 5½pc '82-84‡‡	87⅞	−¼	6.27	8.13
100	77	Treasury 8½pc '84-86‡‡	95	−¼	8.95	9.37
87⅞	66¼	Funding 6½pc '85-87‡‡	85⅞	−¼	7.71	9.02
94	66½	Treasury 7¾pc '85-88‡‡	87 xd	−¼	8.83	9.69
74	49⅝	Transport 3pc '78-88	66¼	−¼	4.51	7.73
76¼	53⅛	Treasury 5pc '86-89	73⅛	−¼	6.95	8.89
121¼	90	Treasury 13pc 1990‡‡	112⅞	−½	11.55	11.08
94¼	67⅛	Treasury 8¼pc '87-90‡‡	87¼	−¼	9.50	10.14
112	88¼	Treasury 11¾pc 1991	104⅛	−½	11.38	11.21
76½	53¼	Funding 5¾pc '87-91‡‡	73⅛	−¼	8.05	9.63
116	86¼	Treasury 12¾pc '92‡‡	109⅞	−½	11.62	11.34
96	89¼	Treasury 10pc 1992	91¾ xd	−½	10.81	11.07
113	89½	Exch. 12¼pc '92	105¼ xd	−½	11.53	11.37

Over Fifteen Years

1977-78 High	Low	Stock	£	+ or −	Yield Int.	Red.
116¼	84½	Treasury 12½pc '93‡‡	108⅛	−½	11.57	11.39
73	51	Funding 6pc 1993‡‡	70⅝	−¼	8.77	10.04
126½	96	Treasury 13¾pc 1993‡‡	117⅛	−½	11.79	11.58
129¼	99	Treasury 14½pc '94‡‡	119⅞ xd	−½	11.96	11.57
114	94⅝	Exch. 12½pc 1994	106⅝ xd	−½	11.62	11.48
96	66¼	Treasury 9pc '94‡‡	88¼	−½	10.40	10.74
110¼	97⅞	Treasury 12pc '95	104 xd	−½	11.48	11.40
51	32⅝	Gas 3pc '90-95	50	−¼	5.99	8.61
30	29	Exch. 10¼pc '95 (£30pd)	29	−½	10.92	11.05
120	87	Treasury 12¾pc '95‡‡	111	−½	11.67	11.30
92½	66¼	Treasury 9pc '92-96‡‡	85¼	−¼	10.53	10.64
133¾	101⅛	Treasury 15¼pc '96‡‡	129	−½	12.12	11.78
124	89¼	Exchequer 13¼pc '96‡‡	115¼	−½	11.76	11.57

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 35¾% (based on $US1.9457 per £)

Conversion factor 0.7341 (0.7455)

CANADIANS

[illegible]

S.E. List Premium 35¾% (based on $2.1460 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

1977-78 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
18½	6¼	Mt. Charlotte 10p	19	......	—	—	—	—
205	80	Myddleton 50p	205	+2	F6.6	4.5	4.9	8.6
35	9	Norfolk Cap 5p	35	+1	0.6	ϕ	2.6	ϕ
52	25	North (M. F.) 10p	44	......	g0.9	3.4	3.1	15.3
46	22½	Pontin's 10p	43xd	+½	ϕ†1.68	1.6	‡	15.4
100	40	Prince of Wales	100	......	2.31	2.5	3.5	(13.4)
30½	6½	Queen's Moat 5p	29	......	†d0.12	3.7	0.7	50.1
166	68	Rowton Hotels	166	+1	†5.7	1.9	5.2	15.9
71	33	Savoy "A" 10p	68	+1	1.02	2.4	2.3	23.6
35	18	Stakis (Reo) 10p	35	......	1.04	ϕ	4.6	ϕ
12¾	5¼	Swan Ryan Int. 5p	12¼	......	ϕ‡1.25	‡1.0	‡	—
201	112	Trust H. Forte	185	−1	†7.46	1.6	6.1	15.6
30½	12	Warner Hols. 'A' 10p	29½	......	1.18	2.6	6.0	8.2
290	100	Wheeler's 10p	290	+10	†4.41	4.2	2.3	15.7

INDUSTRIALS (Miscel.)

1977-78 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
122	76	A.A.H.	119	......	h5.5	2.4	7.0	8.8
89	32	AGB Research	88	......	2.29	2.8	3.9	14.9
73	41	Aaronson Bros. 10p	60	−2	†2.79	4.6	4.5	(5.4)

[illegible]

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هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
195	70	Falcon Rh.50c	190	+5	Q50c	1.3	24.5
22	9	Rhod'n Corp. 16⅔p.	21	......	0.57	4.3	4.1
165	52	Roan Cons. K4	55	......	—	—	—
164	115	Tanganyika 50p	136	+1	Q11.0	1.1	8.1
80	70	Do. Pref. 80p	78	......	Q9%	16.4	9.2
42	27	Wankie Col. Rh.1	38	......	Q7½c	1.4	16.3
27½	11½	Zam.Cpr.SBD0.24	11½	......	—	—	—

AUSTRALIAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
20	10	Acmex 25c	12	......	—	—	—
127	57	Bougainville 50 Toea	71	+1	Q10c	1.5	8.9
128	69	BH South 50c	77	......	—	—	—
325	119	Conzinc Riotinto 50c	177	+5	Q9c	2.3	3.1
65	18	G.M. Kalgoorlie $1	58	......	—	—	—
112	77	Hamptn Areas 5p	87	......	1.45	4.1	2.5
35	10	Metals Ex. 50c	14	......	—	—	—
242	125	M.I.M. Hldgs. 50c	138	+3	Q9c	1.7	4.0
105	10	Mount Lyell 25c	21	......	—	—	—
2¼	1	Newmetal 10c	2	......	—	—	—
120	79	North B. Hill 50c	92	+2	Q8c	1.5	5.4
12	4½	Nth. Kalgurli	9	......	—	—	—
144	87	Oakbridge $A1	140	+5	Q11c	1.9	4.9
55	20	Pacific Copper	37	+3	—	—	—
£13	575	Pancont'l 25c	875	......	—	—	—
19	8	Paringa M&Ex.5p	13	......	—	—	—
555	345	Peko-Wallsend 50c	418	+6	Q15c	4.0	2.2
—	—	Poseidon 20c	75#	......	—	—	—
12	6	Vultan Min. 50c	11	......	—	—	—
164	87	Westn. Mining 50c	94	+1	Q6c	1.4	3.9
75	40	Whim Creek 20c	45	......	—	—	—

TINS

1977-78 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
39	18	Amal. Nigeria	30	......	2.51	1.6	12.7
395	240	Ayer Hitam $M1	260	......	Q416.7c	0.9	34.4
57	25	Beralt Tin	50	+2	3.75	2.3	11.4
260	155	Berjuntai $M1	210	......	‡Q60c	ϕ	‡
570	260	Geevor	460xd	......	†18.15	3.4	6.0
13	8	Gold & Base 12½p	10	......	—	—	—
325	190	Gopeng Cons.	270	+10	13.2	1.9	7.5
140	72	Hongkong	140	......	—	—	—
100	60	Idris 10p	93	......	9.14	1.0	15.6
10½	7	Jantar 12½p	10	......	—	ϕ	—
85	30	Kamunting $M0.50	71	+2	2015.5c	6.7	4.7
490	260	Killinghall	450	......	Q125	ϕ	27.8
410	217	Malay Dredging $M1	295	+5	Q95.5c	ϕ	7.0
46	40	▲Pahang	46	......	†Q2.5	0.5	5.4
70	50	Pengkalen 10p	58	......	5.58	1.3	14.6
215	133	Petaling $M1	175	......	‡Q12½c	10.9	1.5
90	35	Saint Piran	57	......	g1.99	ϕ	5.3
73	55	South Crofty 10p	58	......	64.12	1.5	10.8
210	77	South Kinta $M0.50	158	-5	‡Q77.8c	1.4	11.1
305	148	Sthn Malayan $M1	260	......	‡Q131.3c	1.1	10.8
160	57	Sungei Besi $M1	144	......	—	—	—
*60	19	Supreme Corp. $M1	60	......	ZQ10c	—	3.6
102	42	Tanjong 15p	100	......	6.25	ϕ	9.9
95	45	Tongkah Hrbr. $M1	74	......	Q56.82%	1.6	16.5
203	93	Tronoh $M1	162	......	ZQ30c	2.0	4.0

COPPER

1977-78 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
198	84	Messina R0.50	92	+2	Q30c	1.9	19.5

MISCELLANEOUS

1977-78 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
9½	9	Burma Mines 17½p	9	......	—	—	—
115	58	Colby Mines $C1	82	+2	—	—	—
600	225	Cons. Murch. 10c	295	-5	Q30c	ϕ	‡
475	250	Northgate C$1	270	+5	—	—	—
247	173	R.T.Z.	184	-2	t8.5	q3.1	7.0
70	28½	Sabina Inds. C$1	36	+2	—	—	—
£14¾	818	Tara Exptn. $1	837	+12	—	—	—
55	39	Tehidy Minerals 10p	45	......	1.21	2.5	4.1
160	121	Yukon Cons. C$1	127	......	Q7c	ϕ	3.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited.
- †† Unlisted security.
- ● Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 34

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or —
Albany Inv. 20p	23	......
Ash Spinning	41	......
Bertam	19	......
Bdg'wtr. Est. 50p	285	......
Clover Croft	22	-1
Craig & Rose £1	390	......
Dyson (R.A.)	35	......
Ellis & McHdy	68	......
Evans Fr'k.10p	59	-1
Evered	17	......
Fife Forge	47	......
Finlay Pkg. 5p	20½	......
Graig Ship. £1	240	......
Higsons Brew	83xc	......
I.O.M. Stm. £1	142	+2
Holt (Jos.) 25p	245	......
N'thn. Goldsmith	60	+8
Pearce (C. H.)	129	......
Peel Mills	17	......
Sheffield Brick	48	......
Sheff. Refrshmt.	50	......
Shiloh Spinn	19	......
Sindall (Wm.)	85	......

IRISH

Stock	Price	+ or —
Conv. 9% '80/82	£97⅝	......
Alliance Gas	70	......
Arnott	320	......
Carroll (P.J.)	105	-2
Clondalkin	87	+2
Concrete Prods.	121xd	......
Heiton (Hldgs.)	54	+3
Ins. Corp.	175	......
Irish Ropes	110	......
Jacob	64	......
Sunbeam	27	......
T.M.G.	185	+5
Unidare	70	......

OPTIONS

3-month Call Rates

Stock	Rate
Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	11
Babcock	10
Barclays Bank	25
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	9
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd	68
House of Fraser	12
I.C.I.	25
"Imps"	7
I.C.L.	20
Inveresk	7
KCA	5
Ladbroke	17
Legal & Gen.	14
Lex Service	6
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mrks. & Spncr	13
Midland Bank	25
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	12
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	18
Reyrolle	20
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	33
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	3¼
Cap. Counties	5
E.P.	5
Intreuropean	5
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	45
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22
Mines	
Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday January 25 1978

Leyland plan fears among executives

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

STRONG OPPOSITION to Mr. Michael Edwardes' plans for decentralising management in Leyland Cars has emerged within the committee he set up to look into the company's structure soon after he became chairman of British Leyland ten weeks ago.

Some members of the committee, composed of executives from both inside and outside Leyland Cars, fear that decentralisation will make the motor business even more complicated to run than the present structure.

Mr. Edwardes has to resolve the issue this week before making his prepared statement on the future of the company to shop stewards next week in Birmingham. A series of meetings with the cars organisation group has been held, and its proposals put to the newly-established advisory Board in London for a decision.

It has been clear for some weeks that a number of senior executives in the company were opposed to Mr. Edwardes' ideas on decentralisation.

Indeed, virtually all the top echelons of the present management are placed in the awkward position of being closely associated with the move towards a centralised structure over the last two years.

Mr. Edwardes has not tried to bury this opposition, and has effectively opened up the debate through the organisation group, which is headed by Mr. Pat Lowry, the former industrial relations director who was deeply involved in planning a centralised bargaining structure.

But he has made it clear all along that he himself is deeply committed to a broadly decentralised organisation. Because of this commitment, Leyland executives confidently expect that he will get the basic structure he wants. The indications are that the Government is also backing the proposals.

Mr. Edwardes can also point to support from some sections of senior and middle management in the company who have always been opposed to the move towards a centralised, Ford-style organisation.

The disagreements in the organisation group fall into three main categories.

First, some members believe that if Leyland Cars is split down into too many small units, the inter-relationships between these will become so complicated that they will cause more problems than they solve.

Against this view Mr. Edwardes has argued that managers have to be given jobs which are less all-embracing than in the present Leyland Cars structure. He believes this is more in keeping with ability and skill available in the company, which he wants to split into at least three companies, based on volume cars, specialist cars and parts.

The second argument concerns the organisation of the company's engineering department. Under the former structure, Leyland was heading towards a totally-integrated engineering facility.

Decentralisation proposals would reverse this trend, and there has been heated discussion as to how far this should go. The most likely outcome is that the 5,000-man group now headed by Mr. Spen King, Leyland's chief engineer, will be split up, but that a centralised facility for advanced product engineering will be retained.

The third—and most difficult—problem has arisen over marketing plans. Present franchising arrangements are being retained, which means basically that Leyland's main dealers will continue to sell every car from the Mini to the Rover, plus a selection from the Land-Rover/Range Rover and Jaguar range. But there has been a great deal of argument over whether the proposed Austin-Morris and Jaguar-Rover Triumph companies should be served by a centralised sales organisation.

Latest indications are that U.K. marketing will once again be split down into groups based on the new car companies and that most overseas sales, presently run through an international division, will be put back with these companies.

Labour news Page 9

Callaghan hint on leadership swells his vote

BY RICHARD EVANS, LOBBY EDITOR

AFTER MR. JAMES CALLAGHAN had hinted that his future as Prime Minister could depend on the outcome of to-morrow's critical vote on the direct elections Bill Labour MPs gave their support last night to the Government's guillotine by a majority of nearly 2-1.

The Parliamentary Labour Party voted 132—69 to throw out a resolution condemning the time-tabling of the Bill implementing direct elections to the European Parliament, which has bitterly divided the party.

Anti-Marketeers protested angrily that the Government had no right to steamroller through a measure contrary to party policy.

The surprisingly impressive majority came after both Mr. Callaghan and Mr. Michael Foot, Labour deputy leader, warned that the Prime Minister was prepared to make the passage of the Bill an issue of confidence in his leadership.

Mr. Callaghan said it was necessary to guillotine the Bill now because it was clear that its opponents intended to kill it if they could. In his view the Government had a firm commitment to carry out obligations to the Common Market, including getting the Bill on to the Statute Book.

"As leader of this party it is my duty to carry the can and to take decisions. While I remain leader—and you can elect someone else to do the job—I must take the decisions I consider to be right."

It would do the party and the Government much greater damage to abandon the direct elections Bill than to go ahead with it under a guillotine procedure. To withdraw the guillotine at this stage would be a mark of irresolution and weakness.

Mr. Foot told MPs the Government as a whole concluded it could not honourably abandon the Bill, because the Prime Minister had made clear his personal commitment to it and because it had formed a major part of the pact with

MR. CALLAGHAN
Confidence issue

the Liberal Party, on which Government survival had depended.

His supreme objective was to ensure that the Prime Minister could choose the best time to win an election, and he hoped the party would support him in this.

The size of the majority makes it highly probable that the guillotine motion will be passed by the Commons, with Conservative and Liberal support.

It is not yet clear how much Tory support there will be. Many Conservative MPs fear quick passage of the Bill may release invaluable time for the Government to introduce attractive pre-election measures.

Both Ministers and Labour MPs are to be allowed a two-line Whip, which means it will be possible for anti-Marketeers to absent themselves from the division. The chances are that at least four members of the Cabinet and about 20 junior Ministers will do so.

Parliament Page 10

THE LEX COLUMN

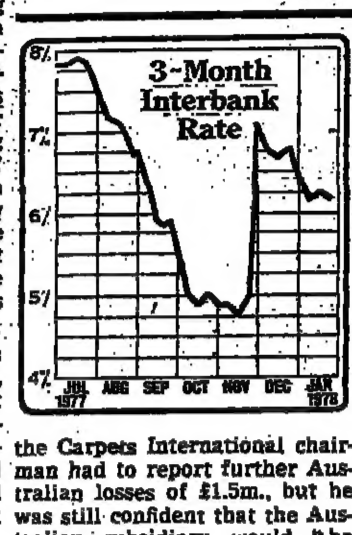
A two-way pull on interest rates

Although the local authority yearling bond rate edged slightly higher yesterday, this said more about the changing shape of the yield curve than the direction of short-term interest rates. In the money markets, at least, most operators are now looking for a quarter point fall in Minimum Lending Rate on Friday and the Bank of England will have to make a signal either to-day or to-morrow if it wants otherwise. Given the shortages in the money market currently, it has plenty of scope for halting the decline in rates if it so wishes.

As yet it has shown no sign that it is averse to a slight fall, and this makes the present weakness of the gilt-edged market all the more puzzling. Yesterday, the prices of long dated stock fell by half a point and at the shorter end of the market the losses were not much less. The FT Government Securities index has fallen by nearly two points since the start of the New Year and is 4 per cent. down on its 1977 peak.

Sentiment in the gilt-edged market was not helped by yesterday's comments from Fielding Newson-Smith, who now describe themselves as "strategically bearish." In addition, the discount houses appear to have larger gilt holdings than they would like while there are signs that some institutions think the game is now over as far as substantial capital gains are concerned. That could imply a willingness to stay more liquid than they have recently dared. There is certainly plenty of stock overhanging the market, with the long tap virtually untouched while a short tap would no doubt appear at the least sign of demand. But the overall tone is far from depressed—even Fieldings are only visualising a shallow bear market.

Index fell 3.2 to 483.4



Carpets International

"Fit, lean and full of enterprise" was the unfortunate headline Carpets International chairman, Mr. Roger Wake, chose to publicise his group's 1976 results in advertisements which appeared only ten months ago. The same advertisements spoke of heavy losses in Australia, but said profitability was expected to be restored there "in the near future." Less than four months ago, at the time of the group's interim statement, the Carpets International chairman had to report further Australian losses of £1.5m., but he was still confident that the Australian subsidiary would "be trading profitably by the end of the year."

Yesterday CI shocked the stock market with the disclosure that it will probably be missing its final dividend because unexpected Australian losses of some £3.2m. have eroded most of the group's U.K. and other profits. The news knocked 14 per cent. off the shares price, reducing the group's capitalisation by £1.8m. to £10.7m. — about a third of book net worth.

Carpets International has just completed a major reorganisation of its affairs in Australia, and would like to believe that it now has the problems there under control at last. But given that CI has been making losses down under for several years, it will take more than renewed assurances from the Board to convince shareholders that the rot has been checked. In the meantime, Mr. Wake is not forecasting when Carpets International will be able to resume paying normal dividends. The only consolation is that CI has not had to go through the premium currency market in sending out funds to support its Australian operation.

Davy International

The stock market seems to have taken Davy International's interim figures too seriously, marking the shares down 12p to 232p on a profits increase—from £7.3m. to £8.4m. pre-tax—which was well below most of the analysts' guesses. Davy is still saying that the results for the full year will be "good" compared with the £18.8m. of 1976-1977, and for such a long-cycle company the half-yearly figures cannot be very significant. In recent years the first six months have contributed between 10 and 39 per cent. of annual profits, with last year's figure coming at the top of the scale.

However, there are one or two specific reasons for the market's dissatisfaction: there is little sign of first time contributions due from Head Wrightson and Herbert Morris, while work done is 4 per cent. lower at £172m. Apparently the earnings of HW are being maintained but will largely fall into the second half, while Morris's first quarter workload suffered because of delays in finalising a big Korean heavy crane contract. Meanwhile, Davy explains the fall in work done in terms of a changing mix and currency effects.

Davy's real worries must be longer term, with serious worldwide over-capacity building up in its main customer industries such as steel and chemicals. But the order book has been maintained at £1.2bn. and the company still foresees reasonable demand from the U.S., Comecon countries and the Third World even if Europe stays depressed. The profitability of this kind of business could be less than exciting, however: the shares yielding an historic 8.6 per cent., could remain a nervous market.

Lucas

A flurry of selling hit Lucas shares yesterday when word got around of a new set of profit projections from Birmingham brokers Smith Keen Cutler, close followers of the Midlands scene. Lucas has already made it plain that its strike-affected half-time figures will fall short of the £35m. pre-tax achieved last time, but it has been thought it stands a chance of making up the lost ground later: a London broker recently estimated £89m. for 1977-78 against £77m. But the Birmingham view is that after £23m.-£24m. for the six months to end-January Lucas will only be in the £65m-£70m. range for the full year. The argument is that further U.K. customer disputes, signs of topping out of demand in France and Germany, and the firmness of sterling will all reduce the profits potential.

Japan in bid to reduce steel exports to U.S.

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, Jan. 24.

JAPAN'S MINISTRY of International Trade and Industry intends to "guide" the country's steel industry towards reducing its exports to the U.S. if America's proposed trigger price system turns out not to do the job on its own, a senior Ministry official said to-day.

The trigger prices, details of which were given by Washington on January 3, are based on Japanese production costs plus estimated customs duties. Where foreign steel is imported into the U.S. at below the trigger price, the U.S. authorities may levy additional duties following a speeded-up investigation of the case.

The expectation is that the system could be working by the middle of next month.

Japan exported 7.44m. tons of steel to the U.S. in 1976 and 6.72m. tons in the first 11 months last year. It has been estimated in Tokyo that the trigger price system could reduce the total to 5m. tons this year.

The Japanese ministry official said he thought it essential that steel exports to the U.S. should fall this year at least to the point where imported steel from all sources constituted 15 or 16 per cent. of total sales. This compares with an estimated 18 per cent. in 1977 and a Carter Administration target of 12 to 14 per cent.

If the trigger price system failed, the Ministry must guide the steel industry not to "export unemployment" to the U.S., the official added.

Gifts

He was confident the Ministry had the power to do this, not only in relation to Japan's big six steel companies which have traditionally been amenable to guidance but to smaller companies as well.

The Ministry is preparing legislation to deal with the problems of recession-struck industries (including the smaller steel companies) which should remove some of the compulsion on the industry to export at any price.

One measure being considered is to give away steel bars, a product in chronically excess production, as grant aid to developing countries.

The Ministry's recent attitude may reflect the fact that steel appears to be one of the products which could still be the subject of protectionist legislation in the U.S. Congress.

In contrast with its conciliatory attitude towards the U.S., the Ministry appeared to-day to be reacting in a coldly hostile manner to the European Commission's announcement that dumping duties will be levied on certain types of steel imported from seven countries, including Japan.

The commission said the official, seemed to be trying to create a similar trigger price system to that of the U.S. "but doing it suddenly and without consultations, unlike the U.S., with whom we had full consultation and co-operation." The effect was to create "a sense of unpleasantness."

Japan is preparing for a meeting of EEC Foreign Ministers on February 7-8 at which the EEC-Japan imbalance is due for discussion. Mr. Nobuhiko Ushiba, Minister for External Economic Relations is due to visit Britain, France and West Germany beforehand with the object of hearing their proposals on the trade problem.

Benn outlines Left election policy

BY RUPERT CORNWELL, LOBBY STAFF

MR. ANTHONY WEDGWOOD BENN proclaimed last night what amounts to a Left-wing manifesto for Labour in the next election, pledged to restore full employment and expand public ownership and the welfare State.

His call for full-blooded socialist measures to transform society not only sets him at odds with the Prime Minister and the moderate approach implicit in the Lib-Lab pact, but with the whole economic strategy of the Chancellor.

In a speech setting out "six campaign themes for Labour in 1978" the Energy Secretary made public his belief that industry and the public sector should be given first claim on the extra resources available through North Sea oil.

His emphasis on the need for Labour to open its "pre-election" campaign now will be taken by the party's moderate wing as an attempt to snatch the initiative in the battle shaping up between Left and Right over the contents of the manifesto.

But many Labour MPs also saw Mr. Benn's move in dissociating himself more clearly than ever from the whole slant of Government policy as designed to re-establish his own Left-wing credentials against the day when election to the party leadership next comes up.

He paid passing tribute to the Government's progress against inflation, and stressed the wish of the Labour movement to do everything it could to sustain the minority administration.

But in a key passage, Mr. Benn told the London School of Oriental and African Studies: "Past achievements, present difficulties and party loyalty are not sufficient to win the support of those we represent, and bring about the return of the Government. Something more is needed, and it is as well to set it out clearly."

Labour's best, if not only, chance of winning the election lay in campaigning "vigorously, openly and courageously" for democratic and socialist policies "which met the people's needs."

It would be a gross misjudgment of the public mood, he claimed, to suppose that the sacrifices of the past few years were made to help the economic and political system, which had caused the crisis, to recover as it was.

In a stinging attack on the Liberals, Mr. Benn said that to follow their policies would lead Labour into similar political oblivion.

Themes listed by Mr. Benn included the need for full employment and better public services, the struggle against Fascism and racialism, and for socialism internationally, and for human rights at home and abroad.

It was wrong, he said, to think that public spending cuts and higher profits would lead to increased investment by private industry. Public ownership was "on the agenda again."

Protest over tube imports

BY ROY HODSON

BRITISH COMPANIES have called upon Viscount Etienne Davignon, the European Industrial Commissioner, to tighten the new EEC steel import rules to deal with rapidly rising imports of steel tubes.

Twice within the past 14 days the British Welded Steel Tube Manufacturers' Association has written to the commission protesting that foreign tube-makers are being offered "an open door" to sell to Europe.

A flood of foreign tubes is said to be appearing on the British market. The tube-makers considered their £150m.-a-year business at greater risk than at any time since the international steel slump started.

The Davignon plan aims at protecting European steelmakers during the recession by imposing minimum import prices. But it does not extend to what the industry calls "first tranformations" of steel into products.

Any steel manufacturer can quickly and cheaply convert strip steel into welded tubes, and can export steel in that form into the EEC without restrictions.

Britain's tube makers believe that imports may already account for between 15 and 20 per cent. of the 500,000 tonnes a year market. Tube stockholders are cancelling orders from British makers and buying instead from abroad.

The British Iron and Steel Consumers' Council has had complaints from members about rising sales of steel pressure vessels into the British market since the steel trade was controlled at the beginning of the month.

Difficulties have arisen, meanwhile, in conforming to the Davignon steel scheme, which has the force of Community law. Members of the National Association of Steel Stockholders have complained that the instructions from Brussels contain "grey areas" and "anomalies."

Two of the products defined—merchant bars and hot rolled wide band—have ambiguous meanings among the nine member nations.

The row about tubes imports may also involve the association. Mr. John Woolridge, its chairman, said last night his association does not negotiate on its members' behalf on any items apart from basic steel products. But so many steel stockists in Britain handle tubes that a growing body of opinion within the industry believes that the association should represent them in the tubes business.

● The Select Committee on Nationalised Industries, which is pressing for disclosure of correspondence that passed between Mr. Eric Varley, the Industry Secretary, and Sir Charles Villiers, chairman of the British Steel Corporation, will hear further evidence from both in private.

Mr. Russell Kerr, the committee chairman, said last night that Sir Charles would give evidence on Monday and Mr. Varley on Monday week.

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Weather

U.K. TO-DAY

RATHER COLD. Sunny start in most districts, rain spreading E. later.

London, S.E., Cent., E., N.E. England, E. Anglia, E. Midlands, Borders, Edinburgh, Dundee

Dry at first, rain, with sleet or snow on higher ground, later. Wind W. to S.W., moderate or fresh. Max. 4C (39F).

Channel Isles

Dry at first, rain later. Wind W. to S.W., moderate or fresh. Max. 6C (43F).

S.W., N.W. England, W. Midlands, Wales

Mainly dry, then rain, with sleet or snow on hills, clearing later. Wind W. to S.W., becoming strong. Max. 5-6C (41-43F).

Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland

Wintry showers, bright intervals, rain or snow later. Wind N.W. backing S.W. moderate or fresh. Max. 3C (37F).

Isle of Man, W. Scotland, Glasgow, Cent. Highlands, Argyll, N. Ireland

Scattered wintry showers, sunny periods, rain or snow later. Wind W to S.W. becoming strong. Max. 4C (39F).

Outlook: Changeable. Rather cold, with night frost.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsdm.	C	7	45	Luxemb'g	C	7	45
Athens	R	10	50	Madrid	C	11	52
Bahrain	S	15	59	Manchstr.	C	6	43
Barcelona	F	15	59	Melbourne	S	19	66
Beirut	F	12	54	Mexico C.	S	20	68
Belfast	F	6	43	Milan	R	2	36
Belgrade	S	5	41	Montreal	S	−2	28
Berlin	C	2	36	Moscow	S	−9	16
Brmghm.	C	6	43	Munich	R	3	37
Bristol	F	7	45	Newcastle	C	5	41
Brussels	R	9	48	New York	S	0	32
Budapest	C	1	34	Oslo	Sn	−1	30
B. Aires	S	23	74	Paris	R	8	46
Cairo	S	20	68	Perth	F	20	[illegible]
Cardiff	C	7	45	Prague	Sn	1	34
Chicago	Sn	−2	28	Reykjavik	S	−3	27
Cologne	C	9	48	Rio de J'o	S	33	91
Copnhgn.	Sn	1	34	Rome	S	12	54
Dublin	F	5	41	Stockhlm.	Sn	0	32
Edinburgh	C	5	41	Strasbrg.	R	9	48
Frankfurt	F	9	48	Sydney	C	[illegible]	[illegible]
Geneva	R	6	43	Tel Aviv	S	16	61
Glasgow	F	6	43	Tokyo	C	7	45
Helsinki	Sn	−3	27	Toronto	S	−5	23
H. Kong	S	21	70	Vienna	C	1	34
Jo'burg	R	18	64	Warsaw	S	2	36
Lisbon	C	15	59	Zurich	R	5	41
London	C	8	46				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	10	50	Jersey	R	10	50
Algiers	C	15	59	Las Plms.	C	18	64
Biarritz	R	13	55	Locarno	C	3	38
Blackpool	F	6	43	Majorca	C	14	57
Bordeaux	R	12	54	Malaga	C	15	59
Boulogne	C	7	45	Malta	S	15	59
Casablnca.	S	15	59	Nairobi	C	20	68
Cape Town	S	26	79	Naples	F	12	54
Corfu	S	15	59	Nice	F	13	55
Dubrovnik	R	9	48	Nicosia	S	17	63
Faro	F	14	57	Oporto	R	13	55
Florence	R	5	41	Rhodes	C	15	59
Funchal	C	15	59	Salzburg	R	4	39
Gibraltar	F	15	59	Tangier	C	13	55
Guernsey	C	9	48	Tenerife	C	11	52
Innsbruck	C	5	41	Tunis	F	16	61
Inverness	R	5	41	Valencia	C	15	59
Isle of Man	C	5	41	Venice	C	4	39
Istanbul	C	9	48				

S—Sun. F—Fair. C—Cloud. R—Rain. Sn—Snow.

Continued from Page 1

'Green pound' row

out. Mr. Silkin is to make a statement in the Commons to-morrow.

The hostility of the three countries appears to be part of the sabre-rattling ahead of the annual EEC farm price review. It also indicates a certain amount of resentment at what some Europeans regard as Westminster's high-handed behaviour in raising the devaluation from 5 per cent. to 7½ per cent. at the last minute.

Approval of the British request would open the way for consideration of Italy's plea for a 6 per cent. devaluation of the "green lira."

In the wake of a 2½ per cent. devaluation of the French "green franc" late last year, the British and Italian green currency moves have provoked antagonism among EEC members with strong currencies.

Their green currencies remain low, and hence their farm prices high, so they have little scope for increasing producer prices beyond the Commission's restricted proposals.

The Commission has proposed an average increase in farm prices of 1.9 per cent. A British 7½ per cent. "green pound" devaluation would further add an estimated 8.1 per cent. to this for British farmers, while adding 1.5 per cent. to the food index and 0.375 per cent. to the retail price index, according to British officials.

Denmark, Germany and the Benelux countries have no such option and anticipate strong hostility from their farmers to a price rise of less than 2 per cent. when U.K. farmers would be receiving close on 10 per cent.

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